



# ***Daily Report***

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## **East Asia**

FBIS-EAS-94-232  
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2 December 1994

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# Daily Report

## East Asia

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## Asia-Pacific Democratic Leaders' Conference Held

### Corazon Aquino, Others Arrive

SK3011111594 Seoul YONHAP in English 1109 GMT  
30 Nov 94

[FBIS Transcribed Text] Seoul, Nov. 30 (YONHAP)—Former Philippine President Corazon Aquino flew into Seoul Wednesday afternoon, leading a 10-member group, to attend the Asia-Pacific democratic leaders' meeting to be held by the Asia-Pacific Peace Foundation here Dec. 1-2.

Meeting her at Kimpo International Airport were Chairman Kim Tae-chung of the Asia-Pacific Peace Foundation and 13 opposition Democratic Party lawmakers.

Earlier in the day, Kim and a few opposition lawmakers met Former Finnish Prime Minister Kalevi Sorsa and ex-Costa Rican President Oscar Arias at the airport. They will also attend the meeting.

### First Meeting Held 1 Dec

SK0112043894 Seoul YONHAP in English 0149 GMT 1  
Dec 94

[FBIS Transcribed Text] Seoul, Dec. 1 (YONHAP)—The first meeting of the Asia-Pacific democratic leaders' conference kicked off Thursday at the Hilton Hotel in downtown Seoul, with leading political figures in the region participating.

The conference, held under the auspices of the Kim Tae-chung Peace Foundation for the Asia-Pacific region, was inaugurated as a permanent organization at the meeting.

Peace Foundation Chairman Kim, a retired opposition leader, and former Philippine President Corazon Aquino gave welcoming addresses while the vice chairman of the Advisory Council for the Conference, So Yong-hun, read a congratulatory message from President Kim Yong-sam.

Yi Ki-taek, chairman of the opposition Democratic Party, and Song Wol-chu, president of the Korean Buddhist Chogyae order, delivered congratulatory speeches. Former U.S. President Jimmy Carter sent a video tape in which he also offered congratulations on the inauguration of the conference.

The conference is a permanent body promoting democratization in the Asia-Pacific region and will have branch offices in several countries, Kim Tae-chung said in his welcoming address.

Ex-Costa Rican President Oscar Arias and former Mongolian Vice President Gonchigdorj R. [as received] gave keynote speeches during the first day.

On Friday, former Finnish Prime Minister Kalevi Sorsa and the chief executive of the Burmese Government-in-exile, Sein Win, will deliver keynote speeches, and Aquino will read a special address sent by Burmese opposition leader Aung San Suu Kyi.

The conference plans to adopt a resolution on the democratization of Myanmar before closing on Friday. The first board of directors' meeting will be held Dec. 3 under the presidency of Kim Tae-chung.

## Police Agency Urges International Gun Control

OW2911051794 Tokyo KYODO in English 0405 GMT  
29 Nov 94

[FBIS Transcribed Text] Tokyo, Nov. 29 KYODO—Japan urged Asian neighbors and other countries Tuesday [29 November] to cooperate in the fight against the international dealing and smuggling of illegal firearms, officials said. The proposal was made by the National Police Agency (NPA) at the start of a three-day international conference in Tokyo.

Represented at the conference are seven nations—China, Indonesia, the Philippines, South Korea, Russia, Thailand and the United States—as well as the international criminal police organization (Interpol). It is the second meeting of its kind since the first one held in October 1993. The conference will focus on how authorities can exchange information on illegal gun trade, agency officials said.

Officials from the Prime Minister's Office, Foreign Ministry, Justice Ministry and the Maritime Safety Agency also took part in the opening day's session.

"Recently, there have been assaults on private companies' top executives using guns, and guns have been spreading among people not (belonging to) criminal groups," NPA chief Takaji Kunimatsu said in his opening address. NPA officials pointed to the fact that 90 percent of the guns seized in Japan are from abroad, which indicates the need for cooperative action to prosecute the criminals.

In a related development, the government held a meeting of eight cabinet ministers and agency chiefs to discuss countermeasures against crimes using guns. Prime Minister Tomiichi Murayama urged the gathering to redouble efforts to eliminate public concern over growing gun-related crimes.

"It is the administration's fundamental responsibility to secure the safety of citizens," he said. "The cabinet must put all energies into ensuring safety." Participants at the meeting agreed to make all-out efforts for that purpose, including a greater anticrime budget and increased personnel, officials said.

The meeting was aimed at reinforcing cooperation between the police, prosecution authorities, the Maritime Safety Agency and customs authorities. It was held following Murayama's direction to Hiromu Nonaka,

head of the National Public Safety Commission, which supervises the police. The commission plans to draw up new gun control measures by the end of the year.

### **Asian Governments Fight Against Money-Laundering**

*BK3011022394 Hong Kong AFP in English 1056 GMT 29 Nov 94*

[FBIS Transcribed Text] Kuala Lumpur, Nov 29 (AFP)—Asian governments were stepping up the fight against money-laundering as the danger of having criminal funds in legitimate financial systems gripped the region, officials said Tuesday.

"Asian countries are working harder now than ever to fight money laundering," said Leo Verwoerd, president of the Paris-based Financial Action Task Force (FATF), the first international body plotting strategy against money-laundering.

Verwoerd, attending a three-day conference here on money-laundering in Asia, told AFP that many countries in the region were now adopting recommendations drafted by the FATF five years ago to keep criminal elements out of their economies.

"The measures include making money-laundering a criminal offence and getting banks and financial institutions to thoroughly check customers and transactions," Verwoerd said.

"They also compel banks to report suspicious transactions to the authorities and provide sharing of intelligence and extradition ties between neighbouring countries to nab (money) launderers," Verwoerd said.

The FATF—initiated in 1989 by the Group of Seven countries, comprising United States, Canada, Japan, Germany, France, Britain and Italy—has a membership of 26 countries worldwide.

At its inaugural 1989 meeting in Vienna, the task force outlined 40 recommendations to combat money laundering that served as an unofficial guide, especially for emerging economies with little laws against financial manipulation.

Verwoerd, who noted the participation of 17 other mostly Asian countries in the conference, said governments in the region were slowly realising money-laundering could affect foreign investor confidence and cause long-term damage to the economy.

He said there used to be various excuses by governments previously for not acting against money laundering, including arguments like "money is money," "let us build our economies first" and "taking action against money laundering will deter investment."

"We all know that these are fallacies," Verwoerd said, adding: "You may attract the criminal funds but you become less attractive to legitimate capital and that cannot be good for economic development."

Malaysia's law minister, Syed Hamid Albar, in opening the conference, called for more regional cooperation in combating money-laundering.

Syed Hamid said Malaysia, one of the few countries with laws for seizing assets of drug traffickers, had since 1988 confiscated about two million ringgit (800,000 dollars) of money and properties derived from drugs.

"But does this seizure in any way indicate the dimension of the world's illegal drug trade, which is only second to the arms business?" Syed Hamid asked.

### **Kuwaiti Oil Minister on Expanding Asia Operations**

*OW0112111194 Tokyo NIHON KEIZAI SHIMBUN in Japanese 30 Nov 94 Morning Edition p 9*

[Report on interview with Kuwaiti Oil Minister 'Abd-al-Muhsin al-Mud'aj by NIHON KEIZAI SHIMBUN in Tokyo on 29 November]

[FBIS Translated Text] Kuwaiti Oil Minister 'Abd-al-Muhsin al-Mud'aj granted an interview to NIHON KEIZAI SHIMBUN on 29 November in Tokyo and said: "We are interested in the Asian region, which is a growing market," disclosing that his country has specifically begun studying the possibility of starting petroleum refinery businesses in Thailand and India. At the same time, he said Kuwait plans to boost its current oil output capacity of 2.5 million barrels daily by 20 percent within five years. He further indicated that since Iraq "has not fully complied with UN resolutions," it is still premature to determine whether that country can make a comeback into the oil market.

According to the oil minister, in the Asian region Kuwait plans to have 76 gasoline service stations operating in Thailand by July 1995, an increase of 24 over the number it currently manages. Also, according to Al-Mud'aj, the PRC, India, Pakistan, and the ROK are prospective targets of Kuwait's oil business strategy.

The oil minister stressed that Kuwait's oil wells, which were destroyed by Iraq during the Gulf War "have been fully restored." Regarding his country's current oil production, Al-Mud'aj said: "We are continuing to produce oil up to the limit of 2 million barrels daily which is the ceiling allotted to Kuwait by OPEC."

Contending that the world's demand for oil will increase steadily in the future, the oil minister said: "We plan to boost our output capacity to 3 million barrels daily by the end of this century."

### **EAGA Adopts Three-Tiered Cooperation Strategy**

*BK0212101194 Kuala Lumpur NEW STRAITS TIMES in English 1 Dec 94 pp 1, 2*

[FBIS Transcribed Text] Kuala Lumpur, Wed. [30 November]—The East ASEAN Growth Area (EAGA) member countries have adopted a three-tiered approach for regional cooperation in sustaining a conducive environment for business collaborations.

The EAGA members comprising Brunei, Indonesia, Malaysia, and the Philippines (BIMP) felt that proper coordination was essential and where necessary, individual governments must strengthen the capabilities of the respective authorities to ensure that progress was not hindered by any one particular obstacle.

This three-tiered approach, involving senior ministers, senior government officials, and the Business Council, had achieved considerable success in the other growth triangles, said former finance minister Tun Daim Zainuddin in his opening remarks at the BIMP-EAGA ministerial meeting today.

The one-day meeting was held in Manado, Indonesia.

Through its experience in the Indonesia-Malaysia-Singapore growth triangle and Indonesia-Malaysia-Thailand growth triangle, Malaysia believed that success was not by chance but rather through hard work and the full commitment of each and every one of the member countries, said Daim who is the minister coordinating the triangle project for Malaysia.

He added that with this three-tiered approach, businessmen would have the chance to expand their network and take part in the development of the rich resources of the region.

He added that although the private sector was able to respond more quickly to market forces of demand and supply, government's efforts were equally important to support and facilitate private sector activities.

"Existing legal and regulatory procedures will have to be reviewed and, where appropriate, removed to allow for enhanced business cooperation among EAGA member countries," said Daim.

But Daim said close cooperation, particularly in the border areas, had existed historically.

"From this, we can perceive that various barriers are artificial and need to be dismantled as appropriate," he said.

Bureaucratic redtape, for instance, not only hindered the free exchange of goods and services, but also served to stifle innovation and creativity since it acted as an impediment to local-level investments, he added.

In his closing remarks, Daim said BIMP-EAGA should also look towards the participation of other neighbours

in the vicinity of the subregion such as Australia, New Zealand, Hong Kong, and Taiwan.

These countries should be encouraged to participate in terms of investment and trading opportunities as they could provide the needed technological expertise and the human resource skills.

Daim said the establishment of the Business Council would assist the takeoff towards attracting both subregional and other neighbouring countries to invest and do business in the BIMP-EAGA.

### **EAGA Members Sign MOU on Telecommunications**

*BK0112142894 Kuala Lumpur Voice of Malaysia in English 0600 GMT 1 Dec 94*

[FBIS Transcribed Text] A memorandum of understanding [MOU] to upgrade the telecommunications network and services among member countries of the East ASEAN Growth Area, EAGA, has been signed in Manado, North Sulawesi. Under the MOU, Telekom Malaysia Berhad [Limited], Indosat [Indonesian Satellite], Brunei Telecoms Department, and Philippines Long Distance Telephone Company will cooperate to upgrade the telecommunication network of the EAGA member countries.

According to a statement issued by Telekom Malaysia, industrialization, trade, investment and tourism would also be further promoted within the four countries; namely, Brunei, Indonesia, Malaysia, and the Philippines.

EAGA covers North Sulawesi, East and West Kalimantan, Mindanao, Brunei, Labuan, Sabah, and Sarawak.

### **East ASEAN Region Planned 'Pilot Project'**

*BK0112153594 Jakarta SUARA PEMBARUAN in Indonesian 30 Nov 94 p 4*

[FBIS Translated Excerpt] Manado, 30 Nov—Ir. [academic title] Hartarto, coordinating minister for industry and trade, said the BIMP-EAGA [Brunei, Indonesia, Malaysia, Philippines-East ASEAN Growth Area] will become a pilot project [preceding two words in English] for the implementation of AFTA [ASEAN Free Trade Area] and free trade within APEC [Asia-Pacific Economic Cooperation]. North Sulawesi will become Indonesia's spearhead because the area is strategically situated on the northern part of the Indonesian archipelago and borders on the Pacific.

The coordinating minister for industry and trade said this in reply to questions by reporters after briefing [preceding word in English] officials, experts, and members of the Indonesian Chamber of Commerce and Industry in Manado on Tuesday. He said Indonesia will use the East ASEAN region as a core in facing AFTA and APEC because the region is situated on the Pacific Rim. Accordingly, Indonesia will immediately implement a

concept on turning the BIMP-EAGA into a pilot project [preceding two words in English] on trade liberalization [preceding two words in English].

Hartarto is attending the BIMP-EAGA ministerial meeting at Manado Beach Hotel. The meeting started on 28 November and will end on 30 November. The senior officials and ministerial meetings followed the East ASEAN Business Convention that took place in Davao City, the Philippines, in mid-November.

Besides Hartarto, three other ministers also arrived on Tuesday. They were Tun Daim Zainuddin, coordinating minister for the Indonesia-Malaysia-Thailand Growth Triangle [title as published]; Datuk Abdul Rahman Taib, Bruneian minister of industry and primary resources; and Rizalino Navarro, Philippine secretary for trade and industry. The ministers will endorse the results of meetings by a working group [preceding two words in English], which were earlier discussed during the senior officials meeting [preceding three words in English] [passage omitted]

#### **Thai Official: ASEAN Ready To Admit SRV**

*BK0112135994 Bangkok BANGKOK POST in English  
1 Dec 94 p 8*

[FBIS Transcribed Text] Senior officials of the Association of Southeast Asian Nations have agreed to admit Vietnam at the group's next meeting of foreign ministers in Brunei next July, a senior Thai Foreign Ministry official said yesterday.

Deputy Permanent Secretary for Foreign Affairs Sarot Chawanawirat said the agreement was reached during a meeting of ASEAN senior officials in Brunei early this month.

According to Mr Sarot, it would now be up to Vietnam to decide whether it was ready to join ASEAN at the 28th ASEAN Ministerial Meeting in Brunei.

If Vietnam was not ready to join then, another occasion could be the fifth ASEAN summit, scheduled to take place in Bangkok in December 1995.

Vietnam formally applied to join ASEAN in October. The application was submitted to Brunei's Foreign Minister, Prince Mohamed Bolkiah, in New York by Vietnam's Foreign Minister Nguyen Manh Cam.

Vietnam would be the seventh member of ASEAN, which groups Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

#### **Singapore Opposes ASEAN on Textile Regulation**

*BK0112140294 Bangkok BANGKOK POST in English  
1 Dec 94 p 19*

[FBIS Transcribed Text] Singapore opposes allowing use of raw materials imported from outside ASEAN to be considered local content in textile production, according to a Finance Ministry source.

The republic instead wants ASEAN to cut the local content requirement for goods produced in the trading bloc from 40 percent to 25 percent, the source said yesterday, declining to be named.

Allowing use of imported raw materials to be considered "local" is known as substantial transformation. This is aimed at helping the textile industry which requires raw materials from outside ASEAN.

ASEAN's other five members are putting pressure on Singapore to adhere to the principle which all agreed on in Chiang Mai in September.

If agreement cannot be reached, the matter will be proposed to the ASEAN Free Trade Area [AFTA] council for a final decision. Physical change, time involved in manufacturing complexity of production and the degree of skill or technology required are used to determine whether the products have been subjected to substantial transformation.

Textiles would be considered to have undergone substantial transformation if they were processed into new, different articles.

The principle is accepted by the United States and European Union for the textile industry.

The source said the principle would be additional to rules of origin which ASEAN applied to other industries.

ASEAN was not ready to apply rules of origin to textiles because it differed from other industries in that the trading group could not produce all the raw materials required, the source said. Therefore, in the case of textiles it was necessary to alter the rules of origin under which 40 percent local content was compulsory.

ASEAN agrees in principle that raw materials can be imported to produce other substances required in production. Processed raw materials fit this principle.

The source said the AFTA council's latest meeting agreed to abide by the substantial transformation principle for textiles, but Singapore changed its position later at the ASEAN senior economic officials' meeting in Jakarta.

Singapore claimed AFTA's proposal on substantial transformation was not practical and should be changed.

The ASEAN Textile Association and Singapore manufacturers disagreed with the substantial transformation principle, the source said. Also, the Singapore Government opposed the principle as the country did not manufacture raw materials for textiles.

Substantial transformation is seen by its advocates as a boost for countries that produce raw materials. Singapore's major role in the region is seen to be as a centre for exports and imports.

The local content principle would leave Singapore at a disadvantage to other ASEAN members in terms of the textile industry, the source said.

Singapore has few factories that can produce raw materials for textiles and is more keen on fabrication work—importing parts for assembly locally before export.

The source said Singapore wanted a compromise between the local content rule and substantial transformation.

For example, ASEAN members could reduce their local content to 10 percent and use raw materials imported from non-ASEAN members. The raw materials could undergo primary and secondary processing. But this proposal was turned down by ASEAN businessmen.

If ready-made parts are imported from non-ASEAN members for assembly within ASEAN, the parts do not count as local content.

The importation of material to make clothes is seen as local content within ASEAN. The source said a meeting to consider this matter would be held this month.

#### **Further on Mekong Basin Development Meeting**

*BK3011083894 Bangkok BANGKOK POST in English  
30 Nov 94 p 6*

[Report by Suphaphon Kanwirayothin in Hanoi]

[FBIS Transcribed Text] Ministers from Laos, Cambodia, Thailand, and Vietnam will gather in Chiang Rai early next year to sign a formal agreement setting up the Mekong River Commission.

The ministerial level ceremony will be followed by an informal meeting chaired by the United Nations Development Programme which mediated the agreement. The

first official ministerial talks on development cooperation will be held mid-next year in Phnom Penh.

Senior representatives from the four countries making up the lower Mekong basin concluded their meeting here yesterday following a ceremony Monday when a draft agreement for the sustainable use of the Mekong River was signed.

Cambodian Environment Minister Mok Maret proposed Phnom Penh as the site of the Mekong River Commission's secretariat yesterday. There was no reaction to the proposal, a delegate told BANGKOK POST.

The location of the secretariat will be decided at the Mekong River Commission's first council meeting in Phnom Penh, he said.

All four countries pledged under the agreement to secure formal approval in line with their own constitutional requirements and have it signed within three months. The commission will have a ministerial-level council which drafts policies and makes decisions, a joint committee to implement the policies and a secretariat.

UNDP assistant administrator Nay Htun chaired the two-day session here. He called for immediate ratification of the pact by the four governments as this could lead to "extending the benefits of the agreement" to Burma and China, the other two countries bordering the Mekong River.

The agreement opens the door for Burma and China to participate, depending upon their applications.

The meeting agreed that the chairmanship of the council and joint committee be rotated, with Cambodia and Vietnam taking the respective positions initially, according to a UNDP release.

The UNDP pledged to continue its role in mobilising financial resources and technical assistance for the commission.

**Japan****Officials Welcome U.S. Approval of GATT Pact****Cabinet Secretary Igarashi 'Relieved'**

*OW0212100594 Tokyo KYODO in English 0952 GMT  
2 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 2 KYODO—Japan on Friday [2 December] embraced the U.S. Senate's approval of the new GATT accord as a big boost to the launch of a fresh global trade tribunal in January next year.

"We were also very relieved at the news that the U.S. Senate approved the GATT accord early this morning, Japan time," Chief Cabinet Secretary Kozo Igarashi said at a news conference.

"We believe this will speed up the process of ratification by other countries to create the World Trade Organization (WTO)," the top government spokesman said.

The U.S. Senate gave the go-ahead to the new accord on the General Agreement on Tariffs and Trade (GATT) Thursday, ensuring that the global trade treaty will go into force on Jan. 1 next year.

The global trade accord was concluded in December last year and signed in April in Marrakech, Morocco after seven years of Uruguay Round negotiations.

Igarashi said the U.S. approval will favorably affect Diet deliberations in Japan on the GATT pact, which has so far been ratified by 36 countries.

Earlier Friday, Foreign Minister Yohei Kono also hailed the U.S. approval of the new global trade accord, saying it will speed up the process of ratification by Japan and European countries to launch the WTO, the successor of the 47-year-old GATT.

Kono, who doubles as deputy prime minister, told reporters that some countries had been waiting to see the results of the U.S. Congress' voting before moving on their own deliberations on the GATT pact.

Kono said he wants to make every effort to ensure the GATT accord clears the House of Councillors in Japan.

Apart from lowering import tariffs by an average of 38 percent, the GATT treaty extends international trade rules to agricultural produce and the services industry.

In addition, the treaty also sets up the WTO to settle international trade disputes.

Economists estimate the GATT accord will add at least 60 billion dollars to 120 billion dollars a year to the U.S. economy due to reduced trade barriers worldwide.

**Foreign Minister Kono Comments**

*OW0212031894 Tokyo KYODO in English 0204 GMT  
2 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 2 KYODO—Foreign Minister Yohei Kono on Friday [2 December]

welcomed the U.S. Senate's approval of the new GATT accord, saying it will speed up the process of ratification by Japan and European nations to launch the new global trade body in January.

Kono told a press conference that some countries had been waiting to see the results of the U.S. Congress's voting before moving on with their own deliberations on the General Agreement on Tariffs and Trade (GATT) pact.

Now that the U.S. Senate has approved the global trade treaty, such deliberations will be accelerated to ensure the pact will go into force on Jan. 1, 1995, he said.

Kono said he wants to make every effort so that the GATT pact will be approved by the House of Councilors.

Following the overwhelming approval by the U.S. House of Representatives on Tuesday, the senate passed the GATT pact bill by 76 votes to 24 on Thursday, concluding the congressional ratification process.

The bill was sent to president Bill Clinton for his signature.

The GATT accord has so far been ratified by 36 countries.

**MITI Chief Hails 'Big Stride'**

*OW0212032094 Tokyo KYODO in English 0243 GMT  
2 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 2 KYODO—International Trade and Industry Minister Ryutaro Hashimoto on Friday [2 December] hailed the U.S. Congressional approval of the Uruguay Round accord as "a big stride" toward formation of a global trade framework.

"We took a big stride (toward formation of freer global trade rules)," Hashimoto told a press conference.

The U.S. Senate on Thursday passed a bill for the new global trade accord under the sponsorship of the General Agreement on Tariffs and Trade (GATT) by an overwhelming 76-24 margin.

The House of Representatives also approved the GATT accord on Tuesday. Approval by the senate concluded the congressional ratification process.

"The latest development in the U.S. Congress is likely to accelerate the process of ratification by other countries," Hashimoto said.

"Japan will do its utmost for an early ratification of the Uruguay Round bill," he added.

U.S. approval of the accord has been regarded essential for the global trade treaty to go into effect at the start of 1995 as agreed by member nations.

The GATT accord has so far been ratified by 36 countries.

### **Officials Object to U.S. Atom Bomb Stamp**

*OW0212091894 Tokyo KYODO in English 0903 GMT  
2 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 2 KYODO—Japan has special feelings about the atomic bomb which it wants the United States to try to understand before selling the first-ever stamp depicting the mushroom cloud of the atomic bomb dropped over Hiroshima in World War II, a government spokesman said Friday [2 December].

"The dropping of the atom-bomb was an historical fact in itself, but it also took the lives of more than 300,000 Japanese people and many others have since suffered from the A-bomb disease," chief Cabinet Secretary Kozo Igarashi said at a news conference.

The U.S. Postal Service announced Thursday it will start selling next year a stamp that depicts the historic image of the mushroom cloud based on photos of the explosion over Hiroshima and A-bomb testing on the Bikini atoll.

Referring to a set of words printed at the bottom of the stamp explaining that the atomic bomb hastened the end of the war, Igarashi retorted that Japanese people view the weapon as something more than that.

"It is natural for Japanese to have some different feelings from the fact that it merely hastened the end of the war," the top government spokesman said.

Asked if Tokyo will take some diplomatic action over the U.S. plan to sell the stamp from Sept. 2, 1995, Igarashi said the government needs to look more into the details of the matter.

The stamp is expected to be sold as one of a set of 10 to commemorate the 50th anniversary of the end of World War II.

Four other stamps depict U.S. troops landing on the beaches of Okinawa and occupying the island of Iwojima, while the remaining stamps take up the surrender of Nazi-occupied Germany.

"Considering the feelings in Japan, the only country to have suffered the atomic bombings, I don't think the Japanese will have positive feelings toward the design of the stamp at all," Foreign Minister Yohei Kono told a press conference.

Kono indicated Japan will take some diplomatic action over the U.S. stamp plan, saying, "if necessary, I want to convey Japanese feelings to the U.S. side in some form."

### **Kono: Diplomatic Protest Possible**

*OW0212034194 Tokyo KYODO in English 0257 GMT  
2 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 2 KYODO—Japan may take some diplomatic action over a U.S. plan

to issue postal stamps featuring an atomic mushroom cloud with a caption saying the bombing hastened the end of World War II, Foreign Minister Yohei Kono said Friday [2 December].

"Considering the feelings in Japan, the only country to have suffered the atomic bombings, I don't think the Japanese will have good feelings toward the design of the stamp at all," Kono told a press conference.

"If necessary, I want to convey Japanese feelings to the U.S. side in some form," he said.

Turning to the stamp's caption which says "Atomic Bombs Hasten War's End, August 1945," Kono said each country has different views on the atomic bombing and Japan has its own way of interpreting it.

A top Foreign Ministry official said Thursday the ministry is checking into the details.

"If the plan is true, it is an inconsiderate act," he said, speaking on condition of anonymity, pointing out that Japan has special feelings about the atomic bomb as the only country to have suffered bombings in Hiroshima and Nagasaki in 1945.

The stamp is scheduled to be released next year around the 50th anniversary of the Allied victory in World War II.

### **Mayor, Ministry Spokesman Comment**

*OW0212101194 Tokyo KYODO in English 0953 GMT  
2 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 2 KYODO—Hiroshima Mayor Takashi Hiraoka said he "extremely regrets" that the wording on the stamp implies the use of atomic bombs is correct.

"Currently the world is involved in denuclearization and this is not a time for flaunting the power of atomic weapons," Hiraoka said.

At a news conference later in the day, a Foreign Ministry spokesman said it is possible to consider the atomic bombings of Hiroshima and Nagasaki as hastening the end of World War II.

"It is a very difficult question," said spokesman Terusuke Terada, but added that as a historical fact and considering the timing of the atomic bombings and Japan's surrender, such a view is possible.

### **Spokesman Retracts Remark**

*OW0212103794 Tokyo KYODO in English 1013 GMT  
2 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 2 KYODO—Later in the evening, Terada held another press conference and retracted his remarks, saying it was "incomplete."

Terada said the government wants to "refrain from making any judgments on the interpretation of historical facts."

### **U.S. Firms Claim Bias in Olympic Rink Bidding**

#### **Possible Bid-Rigging Suggested**

*OW3011115494 Tokyo KYODO in English 1107 GMT 30 Nov 94*

[FBIS Transcribed Text] Tokyo, Nov. 30 KYODO—The bidding process for wood for a skating rink for the 1998 Nagano Winter Olympic Games has come under fire from a group of U.S. wood suppliers, a move which could develop into a major trade issue.

At stake is a contract awarded earlier this month to a Japanese lumber supplier for much of the 3,000 cubic meters of larch wood. U.S. suppliers won a contract for one-third of the total.

The U.S. Engineered Wood Association says the way the suppliers were selected was vague and may have violated a 1990 bilateral trade agreement under which Tokyo pledged to give U.S. lumber suppliers fair access to the Japanese market.

In a telephone interview with KYODO news service, Charles Barnes, a representative in Tokyo for the U.S. trade group, said there might have been bid-rigging.

Barnes said he was confident that there was a chance to win the contract because it was for an Olympic facility and warned that his association will ask the U.S. Government to take action if no progress is made in resolving the case.

A joint venture led by Japanese construction firm Kajima Corp. won the contract to design and build the skating rink from Nagano City in 1993.

In selecting suppliers of wood for the skating rink, a Kajima subsidiary asked two Japanese and six U.S. concerns to submit estimated bids between November 1993 and August 1994.

Japanese Government officials say the case is up to the private sector.

"This is an issue which Kajima should resolve by explaining to U.S. suppliers," said an official at the Foreign Ministry.

An official at the Forestry Agency said this is not a case that runs counter to the bilateral trade agreement.

"It's a usual business practice to invite bids from more than one supplier. U.S. lumber cost 30 percent less than Japanese lumber, but the cost of procuring the U.S. lumber will be the same as Japanese lumber if transportation and warehouse costs as well as fees for (U.S.) engineers coming are counted," a Kajima official said.

The U.S. Government has placed Japan's barriers to U.S. wood as well as paper on a "watch list," a sign that Washington is not happy with U.S. access to the Japanese wood market.

### **Daily Examines Procurement Dispute**

*OW3011095894 Tokyo YOMIURI SHIMBUN in Japanese 28 Nov 94 Morning Edition p 1*

[FBIS Translated Text] In connection with the procurement of construction materials for a speed skating rink which is to be one of the main facilities at the 1998 Nagano Winter Olympic Games, an investigation by YOMIURI SHIMBUN has revealed that, on grounds that "there is strong evidence U.S. firms have been treated unfairly in the selection process," the U.S. Trade Representative [USTR] and the Department of Agriculture have launched investigations into the case. The U.S. Government agencies feel that in the process of Japan selecting domestic lumber over U.S. products, which cost less than half the price of their Japanese counterparts, there was a breach of a bilateral agreement assuring better U.S. access to Japanese markets. As a result, the situation is such that the issue over materials procurement for the Nagano Winter Olympics facilities could turn out to be a new source of bilateral friction.

The indoor speed skating rink for the Nagano Winter Olympic Games is designed with a suspended roof over a 400-meter track and can hold 10,000 spectators. Currently, work is under way in Choyo, Nagano City, to construct the rink's concrete foundation. With a total construction cost of approximately 20 billion yen, the rink, which will serve as an architectural work to symbolize the forests of Nagano, is the only one among the Olympics facilities designed with a wooden roof, on which construction is due to begin late next year. The skating rink will be the nation's largest structure with a wooden roof, using twice the amount of wood when compared to such facilities as the Izumo Dome in Shimane Prefecture.

The laminated wood to be used for the roof has improved strength and fire resistance. Nagano City held a design competition in July 1993 and selected a consortium led by Kajima Corporation from among five consortiums, awarding it design rights as well as construction rights.

In connection with the procurement of the 350 million yen worth of laminated wood, Kashima asked two domestic and six U.S. laminated wood makers to submit materials estimates in April and August 1994. The company then reviewed the estimates to select its supplier.

The U.S. firms had more competitive prices and better quality wood. Since senior Nagano City officials had been saying they planned to use both Japanese and U.S. lumber as a symbol of bilateral friendship, the U.S. firms had been hoping to be selected as materials suppliers.

However, Kashima decided on 2 November to select a local Nagano firm as the sole supplier. At the same time, it notified the U.S. firms, explaining the selection process by saying: "From the time the design competition was held last year, there already had been a plan to use local Shinshu larch [a type of tree]. Therefore, we chose a local supplier who can supply it." To make up for this, Kashima told the U.S. firms that it would purchase one-thirtieth of the total 3,000 cubic meters worth of laminated wood and other materials from them.

Nagano City officials gave a similar explanation to the U.S. Embassy in Japan and others concerned. However, in a YOMIURI SHIMBUN interview, former Kanagawa University President Morihisa Fujimoto, who served as chairman of the panel of judges at last year's design competition, has said: "We based our evaluations on three criteria: the design, bidding price, and the requirement that wood be used. Our evaluations never took into account which country's wood would be used."

Regarding the process of selecting the supplier of the laminated wood, U.S. Ambassador to Japan Walter Mondale had asked a high-ranking Japanese Government official that "equal treatment be given to U.S. firms," since the skating rink will be used for public purposes, particularly as part of the Nagano Winter Olympic facilities.

Last month, the U.S. Government included forest products in a list of trade areas subject to possible sanctions under the Super 301 provision of its trade act. From the viewpoint of ensured U.S. access to Japanese markets, among other matters, the U.S. Government has asked the Japanese Government to give an official account for this case of "whether U.S. firms were given a fair evaluation regarding prices, supply capabilities, and other criteria."

Until Kashima's tentative selection of a local supplier last month, neither the company nor Nagano City officials announced that "it was already decided from the beginning that Shinshu larch would be used exclusively for the skating rink's roof." Consequently, such an equivocal action by Nagano City officials has aroused considerable suspicion in the United States.

#### **Defense Agency Favors Choice of U.S. Aircraft**

*OW0212132494 Tokyo KYODO in English 1301 GMT  
2 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 2 KYODO—The Defense Agency said Friday [2 December] it considers the U.S. Gulfstream IV the most appropriate aircraft over France's Falcon 900 for Japan's next generation of multipurpose military aircraft.

The selection of the aircraft, code-named UX, had taken on political overtones, but the agency Friday [2 December] opted for the U.S. aircraft in its review report to Finance Minister Masayoshi Takemura and Home Affairs Minister Hiromu Nonaka.

Agency officials also explained the choice to Chief Cabinet Secretary Kozo Igarashi and International Trade and Industry Minister Ryutaro Hashimoto.

In the review report, the agency noted that while the Gulfstream was an excellent aircraft, the Falcon was superior in its takeoff ability.

Still, the agency reported that in a comprehensive evaluation the Gulfstream was noticeably better and that it is most appropriate in relation to the aircraft's price and operating costs over the next 20 years.

The agency's Defense Policy Bureau Chief Naoaki Murata explained the review to Takemura and Agency Director General Tokuichiro Tamazawa went over the report for the home affairs minister.

Reportedly neither minister revealed whether they would support the selection of the aircraft, but agency officials said they have gained the understanding of Igarashi and Hashimoto.

The review followed criticism that the selection process under the previous administration has not been sufficiently transparent.

The review study was conducted from October with the assistance of three military experts from the private sector.

The agency expects the cabinet's aircraft selection committee of Takemura, Igarashi, Tamazawa and Foreign Minister Yohei Kono to meet early next week and hopes it will decide to include the Gulfstream aircraft in the budget draft for the next fiscal year.

The aircraft to be flown by the Air Self-Defense Force (ASDF) will be used as a midair command base for transporting very important persons and supervising military drills.

The agency reportedly picked the Gulfstream in August over two other candidates, the Falcon and Challenger 601 of Canada.

The selection became an international political issue after the agency's decision on the Gulfstream was reported in August.

French Prime Minister Edouard Balladur sent a letter to Japanese Prime Minister Tomiichi Murayama calling for a fair and transparent selection process, while Canadian Foreign Minister Andre Ouellet is also placing some marketing pressure on the Japanese Government.

The UX, expected to replace the current six-person B-65, is said to cost 3 billion yen per aircraft.

#### **MOFA on DPRK Rejection of Coalition Mission**

*OW0212010294 Tokyo ASAHI SHIMBUN in Japanese  
1 Dec 94 Morning Edition p 2*

[FBIS Translated Text] The Ministry of Foreign Affairs [MOFA] thinks the DPRK's (North Korea) refusal to

accept the coalition's mission is a negotiation strategy for the resumption of Japan-DPRK normalization talks and is now trying to figure out Pyongyang's next move.

Meanwhile, some members of the ruling parties have been reacting strongly to such North Korean actions when Japan is studying providing huge financial support to the DPRK light-water reactor conversion program. Noting this situation, observers are concerned that such an attitude on the DPRK's part may negatively impact Japan's efforts to reach domestic consensus on the financial cooperation.

MOFA analyzed that even North Korea would find it expedient to make moves to resume normalization talks to smoothly materialize measures to support the light-water reactor conversion indicated in the U.S.-DPRK accord. It also believed there was a good possibility of North Korea accepting resumption of the talks. Therefore, it has been making unofficial contacts with this communist nation, saying: "What is important for the government is to have North Korea come to the negotiation table without setting any conditions."

MOFA was originally reluctant regarding the coalition's plan to send a mission because it thought North Korea may again ask for Japanese confirmation of "the 1990 three-party declaration" reached between the Liberal Democratic Party, the Social Democratic Party of Japan, and the Korean Workers Party, which the government refuses to recognize. At the same time, it was also hoping that the mission might be able to find out what North Korea is thinking about the resumption of talks.

However, all of a sudden, the plan was turned down. MOFA has been confused, failing to determine North Korea's true intention behind the "refusal."

There are several views on North Korea's attitude in the government and the coalition parties. For example, a government source says: "This means we do not need to worry about confirmation of the three-party declaration any more. What we have to do next is government negotiation [on the resumption of normalization talks]. Just take some time off and then we can start over." Another senior MOFA official thinks: "A policy-decision process in North Korea may not be functioning well enough to accept the mission."

North Korea is repeatedly demanding "Japanese post-war reparation," included in the three-party declaration. Since some people in Japan maintain financial support for the light-water reactor project should be considered part of "post-war reparation," it can be said that North Korea may be trying to check such a move by refusing to accept the coalition's mission.

#### **Tokyo Praised for Informing ROK of DPRK Talks**

*OW3011110594 Tokyo KYODO in English 0910 GMT 30 Nov 94*

[FBIS Transcribed Text] Tokyo, Nov. 30 KYODO—South Korean Ambassador to Japan Kong No-myong on

Wednesday [30 November] praised Japan for its efforts to keep South Korea informed over Tokyo's planned bilateral talks with North Korea.

"We give high marks to Japan for trying to keep in close contact with South Korea over its efforts to seek closer relations with North Korea," Kong said at a meeting of the Liberal Democratic Party (LDP).

His remarks came on the heels of the ruling coalition's decision Tuesday to send two lawmakers to Seoul to seek South Korea's support on a plan to send a coalition delegation to Pyongyang.

However, the governing coalition, comprising the Social Democratic Party (SDP) and New Party Sakigake [Harbinger] along with the LDP, decided later Tuesday not to send an advance team to North Korea this weekend because of Pyongyang's refusal to accept a Japanese delegation later this year.

The advance team's visit, originally planned for Friday through Sunday, was to precede a high-powered delegation aimed at breaking the current impasse in normalization talks with North Korea. The bilateral talks between Japan and North Korea have been stalled since late 1992.

On a 1990 joint declaration issued by the LDP, the SDP and Workers' Party of Korea, which wants Japan to pay compensation for "losses" incurred by North Korea during and after World War II, Kong called for clarification of what kind of compensation.

"The meaning of the postwar compensation (referred to in the declaration) is not clear. We are paying attention to the contents of the compensation," he said.

Kong urged Japan to try to understand South Korea's position as "a victim" in reference to lingering anti-Japanese feelings in South Korea.

But he also stressed the importance of efforts by South Korean politicians to change such a mind-set.

"South Korean politicians have to muster courage to persuade the South Korean people. We need to reform our education concerning Japan and reduce the nation's (anti-Japanese) feelings," he said.

#### **Tokyo To Help ROK With Defense Restructuring**

*OW0112133894 Tokyo NIHON KEIZAI SHIMBUN in Japanese 28 Nov 94 Morning Edition p 2*

[FBIS Translated Text] Defense officers from Japan and South Korea have agreed to expand exchanges in restructuring defense organizations amid the worldwide move toward disarmament in the post-Cold War era. Like Japan, South Korea is also trying to restrain defense spending. Because Japan is advanced in this field, it will provide Seoul with know-how on budget negotiation tactics, the transfer of defense personnel to another part of the country separating them from their families, and

measures to make defense duties more attractive. Japan and South Korea held a meeting of working-level defense officials for the first time in early November and studied the possibility of mutual visits by their training ships. As such, the two countries have promoted relations in the security arena. Cooperation in restructuring defense organizations will be in the news as a new type of defense exchange.

South Korea maintains a 550,000-strong ground force, nearly four times as large as the ground unit of Japan's Self-Defense Forces [SDF]. But because of global changes following the end of the Cold War era—in which the United States and the Soviet Union, two superpowers, had confronted each other—and financial difficulties, South Korea is said to intend to restrain the growth of its defense spending from now on.

In a bilateral meeting of uniformed officers in Seoul in mid-November, South Koreans showed strong interest in Japan's budget system and its relationship with defense expenditures. In recent years, the SDF's activities were affected by a cut in defense spending and the downward revision of the mid-term defense buildup plan. Referring to this, South Korean officers said: "We would like to know how, in such severe financial conditions, you have obtained your defense budget and frontal equipment and maintained the morale of SDF personnel."

The Defense Agency [DA] and the SDF have shown a positive stance on complying with South Korea's request for cooperation in this unexpected area. They said: "If our know-how in defense management in peacetime is applicable to South Korea, we will accommodate them." They plan to actively respond to the request through personnel exchanges. The DA and the SDF have experience in managing things while being annoyed by personnel shortages.

With the aim of promoting multilateral security cooperation, the DA is to hold a "security seminar for countries in the Asia-Pacific region" in December, inviting commissioned officers from these countries. It also plans to consolidate bilateral relations of trust with neighboring countries, such as South Korea, China, and Russia.

#### **\* Sensitivity About Korean Colonization Urged**

952A0039A Tokyo NIHON KEIZAI SHIMBUN in Japanese 29 Oct 94 p 2

[Editorial: "Recommendation for Better Understanding of Japan and South Korea"]

[FBIS Translated Text] In regard to MITI Minister Hashimoto's reply to parliamentary interpellations concerning World War II, the Government of Korea expressed its regret that "it glosses over Japan's past aggression in Asia." What caused this problem in Hashimoto's remark is the part where he said, "As far as World War II is concerned, it is true that Japan fought

with the United States, Great Britain, and the Netherlands, however, I am not sure if you can call it a war of aggression." In his series of statements, the minister reflected on the fact that, by invading the Chinese mainland and colonizing the Korean peninsula, Japan had put the people in these areas to great trouble. There is a difference in nuance between Hashimoto's statement and that of former Environment Agency director, Mr. Sakurachi, who made a negative comment in August, concerning Japan's intention of the invasion and was forced to resign.

However, even taking this into consideration, Hashimoto's comment was still careless. First, it is not reasonable to view World War II and the preceding invasion of China and colonization of the Korean peninsula as being separate. We should not make light of the fact that the multiple conflicts, such as invasion in surrounding countries and colonization, led to World War II. There is no persuasion in the historical view to isolate World War II to discuss whether or not it was an act of aggression.

Second, we must have the consideration to view history from the point of view of those who were invaded and colonized. Some in Japan point out that colonization was wrong, but as a result their infrastructure, such as railways and streets, was improved and their education standard went up. However, these things had not been done originally for their sake.

Key government officials' careless statements concerning recognition of World War II have been repeated over and over, and every time Japan is criticized that "it lacks reflection," ministers are replaced. Many Japanese people are tired of such repetition.

In order to liquidate the dreadful past, and in order for Japan and Korea to develop a healthy cooperative relationship for the future, it is highly desirable to include in textbooks on Japan-Korea history, the 36 years of the colonization period. In compiling history textbooks, they must thoroughly research the facts about historical events to generalize the facts so that no one can dispute them.

In order to do this, a research group for textbook compilation should be formed. This should include not only Japan and Korea, but also the surrounding countries, such as China and the countries of Southeast Asia. Moreover, if necessary, scholars and specialists from the West should be included. Needless to say, Japan should bear all expenses for this project.

#### **STA To Help Slovakia Dismantle Nuclear Reactor**

OW0112050294 Tokyo KYODO in English 0408 GMT 1 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 1 KYODO—The Science and Technology Agency [STA] will provide technological assistance to help Slovakia, other former Eastern-bloc nations and former Soviet Union states

dismantle obsolete nuclear reactors posing contamination problems, agency officials said Thursday [1 December].

The Bohunice A-1 nuclear power plant in Slovakia was picked as the first plant to which Japan will dispatch a team of experts with sophisticated dismantling techniques under a technical aid program that will start next year, the officials said.

The nuclear plant has a heavy-water-moderated, gas-cooled reactor that suffered radiation leakage in 1977. Resultant radioactive contamination has prevented local scientists from dismantling the reactor.

Under the five-year, 630 million yen program, experts from the Japan Atomic Energy Research Institute, an agency affiliate, will fly to Slovakia to investigate the contamination conditions and work out by fiscal 1999 a program for dismantling the reactor, the officials said.

The research institute began accumulating know-how related to the dismantling of nuclear reactors in 1986, while in the process of dismantling Japan's first experimental reactor, the Japan power demonstration reactor.

The institute is expected to apply its sophisticated techniques for shielding radiation from an obsolete reactor and cutting the vessels containing the reactors at Bohunice, they added.

#### **SDF Ordered To End Rwandan Relief Mission**

*OW0112111894 Tokyo KYODO in English 0932 GMT  
1 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 1 KYODO—Defense Agency Director General Tokuichiro Tamazawa issued an order Thursday [1 December] that the Self-Defense Forces (SDF) terminate its relief activities for Rwandan refugees in the Zairian border town of Goma by Dec. 20 and return home Dec. 23.

The Air Self-Defense Force (ASDF) personnel operating in Nairobi were told to return home Dec. 28, Defense Agency officials said.

The Defense Agency started withdrawing some 1,200 tons of equipment earlier this month and has been preparing for a pullback in two batches of the 260-strong SDF contingent in Goma.

The second batch will finish dispatching weapons and other equipment before boarding a Japanese C-130 transport plane Dec. 20 to return to Japan on Dec. 23 following a stopover in the Kenyan capital of Nairobi, the officials said.

The ASDF members will leave Kenya after the Goma team leaves from Nairobi.

#### **MITI To Strengthen Trade Ties With India**

*OW0112133294 Tokyo MAINICHI SHIMBUN in  
Japanese 30 Nov 94 Morning Edition p 9*

[FBIS Translated Text] The Ministry of International Trade and Industry (MITI) made clear on 29 November

that it will work to strengthen Japan's trade relations with India by setting up an "India Economic Research Council" (headed by Kazuo Kamiya, vice president of Asahi Glass Company) as a private advisory body to the chief of the International Trade Policy Bureau. The council will be composed of professors and businessmen. Foreign investment in India has been growing drastically and Japan has lagged behind other industrial nations in making investment in India. MITI decided to set up the council after concluding that it is indispensable to strengthen trade relations with India to implement the trade policy of making Japan capable of competing with such major powers as the United States, China, and Russia in Asia, and of catching up with other industrial nations in investing in India.

The Rao government in India has aggressively attracted foreign capital after abandoning India's traditional protectionist policy since it was inaugurated in 1991. The total approved amount of foreign investment in India during 1993 ballooned 17 fold from 1991 to 88.6 billion rupees (approximately 310 billion yen). While investment by the United States in India during 1993 accounted for 40 percent of the total approved amount, Japan's investment in that country accounted for only three percent, a drop of 50 percent from a year earlier.

In India, more than 100 million people out of the total population of 880 million are in the middle class, and India has more college-graduated engineers than Japan. India is said to have potential for high growth. A British business mission visited India this month, and the United States views India as one of the world's ten fast growing markets. U.S. Commerce Secretary Brown will visit India next January, leading a U.S. business mission.

MITI plans to ask the India Economic Research Council to study ways for Japan to catch up with other industrial nations in investing in India and to strengthen Japan's trade relations with that country.

#### **Government To Give Emergency Aid to Yemen**

*OW0212034394 Tokyo KYODO in English 0110 GMT  
2 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 2 KYODO—Japan will give 500,000 dollars in emergency aid through international organizations to help people in the war-torn Yemen, the Foreign Ministry said Friday [2 December].

The aid is aimed at helping international organizations provide water and medical care to some 370,000 people in Yemen who are suffering from the effects of a civil war that erupted in May, the ministry said.

Of the Japanese aid, 34,000 dollars will be disbursed to the United Nations Development Programme (UNDP) and 13,000 dollars to the United Nations Children's Fund (UNICEF) to help the organizations provide water and other medical and sanitation care, it said.

The government will also extend 30,000 dollars to the World Health Organization (WHO) to help its activities to prevent epidemics and take sanitation measures, it said.

The socialist South Yemen and conservative North Yemen merged in 1990.

Despite a peace accord earlier this year, a civil war erupted in Yemen in May, with the south accusing the north of trying to dominate the republic.

The war ended two months later, but drinking water and sanitation care are generally lacking. An epidemic is also feared, the ministry said.

### **Tokyo To Extend Flood Aid to Djibouti**

*OW3011081894 Tokyo KYODO in English 0758 GMT  
30 Nov 94*

[FBIS Transcribed Text] Tokyo, Nov. 30 KYODO—Japan will extend an emergency assistance totaling 10.8 million yen to help the East African nation of Djibouti recover from damages caused by floods, the Foreign Ministry said Wednesday [30 November].

Torrential rains last week triggered floods around the nation's capital, Djibouti, killing some 40 people, the ministry said.

### **MOF Seeks To 'Significantly' Reduce ODA Growth**

*OW2911132294 Tokyo ASAHI SHIMBUN in Japanese  
19 Nov 94 Morning Edition p 1*

[FBIS Translated Text] On 18 November, the Ministry of Finance [MOF] firmed up its plan to significantly reduce in the fiscal 1995 budget the rate of increase in Japan's Official Development Assistance (ODA) from 4.8 percent, which was the initial increase rate for fiscal 1994 over the previous year, to less than 4 percent. Because of this, it became certain that of all major expenses in the general expenditure account, which reflects the government's policy decisions, expenses for public works projects will grow the most in lieu of ODA, which has actually enjoyed the highest growth rate for 16 years. The MOF had been treating ODA as an exception and expanded its budget significantly. But the ministry decided not to treat ODA as a sanctuary anymore because tax revenue dropped for three consecutive years for the first time since the end of World War II. It seems, however, that the Ministry of Foreign Affairs [MOFA] and the ruling parties, which call for Japan's international contributions in nonmilitary areas, will oppose the MOF's decision. It is likely that tough negotiations over this issue will continue until year's end.

According to the actual dollar amount of aid the Organization for Economic Cooperation and Development (OECD) announced, Japan's ODA was the largest in the world from 1991 to 1993. While general expenditure increased by 3.2 percent in fiscal 1994, ODA grew to

1.634 trillion yen, which is a 4.8 percent increase over the previous year. It is certain that the amount of Japan's ODA will be the biggest in the world in fiscal 1994, too.

Together with defense expenditures, ODA has been treated as an exception as far as the budget ceiling is concerned, and the MOFA is demanding 1.1461 trillion yen as the ODA budget for fiscal 1995, which is a 7.8 percent increase over the previous year.

As reasons for the significant reduction in the ODA budget for fiscal 1995, the MOF, among other things, cites that 1) the ODA's dollar value will grow in fiscal 1995 as well due to the strong yen, and it will be highly valued by international society; and 2) most of the major countries, including the United States, are significantly trimming down their ODA budgets.

In June last year, the Japanese Government made an international pledge, saying that in a "target of the fifth mid-term ODA," it would try to increase the total amount of the ODA for the 5-year period 1993 to 1997 to 70-75 billion dollars. Regarding the ODA growth rate over the gross national product (GNP), the government is saying that it will seek steady improvements. However, the actual growth rate over the GNP for 1993 was 0.26 percent, which is a 0.3 percent drop from 1992.

Regarding the MOF's plan to significantly reduce the ODA, the MOFA is expressing its opposition, saying: "We need to continue to increase ODA to fulfill our pledge. Among the five major nations—Japan, Britain, the United States, France, and Germany—the ratio of Japan's ODA over its GNP is the second lowest, next to the United States." Moreover, it is expected that some parties, with the Social Democratic Party of Japan [SDPJ] as a central figure, will try to prevent the possibility that in the Murayama administration's maiden budget, the ODA growth rate may fall from top place for the first time in the past 17 years; the Murayama administration's motto is to make international contributions in nonmilitary areas.

Compared with initial budgets for the other major expenses of the general expenditure—including social security, education, defense, and public works projects—the ODA growth rate has been the largest since fiscal 1979. The budget for public works projects exceeded that of ODA in fiscal 1988, when the "NTT Stock Utilization Plan" started. This was a plan designed to allocate profit, which was about 1.3 trillion yen, from sales of stocks of the Nippon Telegraph and Telephone (NTT) Corp., to public works projects. Except for this special circumstance, the growth rate of ODA continued to remain the largest.

In lieu of ODA, public works projects will enjoy the largest budget growth rate. Fiscal 1995 will be the first year of a new 10-year fundamental plan for public investment, and 630 trillion yen will be spent during this decade. In addition, agriculture-related projects are expected to expand. Therefore, it is certain that the

growth rate of expenditure for public works projects will be the largest [in fiscal 1995].

### MOF, MOFA at Odds Over ODA Budget

OW2911142794 Tokyo MAINICHI SHIMBUN in Japanese 25 Nov 94 Morning Edition p 3

[Unattributed article]

[FBIS Translated Text] In compiling the draft budget for fiscal 1995, the government is facing difficulty in increasing the budget for Official Development Assistance (ODA) in spite of a sharp increase in the budget every year. At a special panel meeting of the Fiscal System Council (advisory organ to the finance minister) on 9 November, most council members shared the view that "it is unrealistic to maintain the same increase rate for the ODA as that of previous years." There is also a view that the ODA rate of increase for fiscal 1995 will drop from fiscal 1994's 4.7 percent to less than 4.0 percent and that the drop in the rate of increase will allow the budget for public works projects to have the biggest rate of increase.

On the contrary, it was confirmed at the ruling parties' foreign policy coordination council (chairman: lower house member Naoki Tanaka) on 25 November that "the council will try to maintain the same rate of increase as that of last fiscal year," thus launching a counterattack. A senior Foreign Ministry official said "a slight cut in the rate of increase may be unavoidable, but if the cut in the rate of increase is too drastic, it will have a negative impact on Japan's diplomacy," thus checking a move toward reducing the rate of increase for the ODA budget. Underlying the Finance Ministry's decision to reduce the increase in the ODA budget is the perception that Japan has already become an ODA-superpower. In 1993, Japan provided \$11.2 billion-worth of ODA (approximately 1.25 trillion yen [Y]; not to East European nations), becoming the biggest ODA contributor in the world. In the same year, such industrialized nations as the United States and France reduced their ODA. They said their ODA was cut partly because their dollar-based ODA would increase due to the yen's appreciation.

Meanwhile, the ruling parties and the Foreign Ministry have a reason to counter the Finance Ministry's move. The reason is that they see the ODA as a pillar of Japan's nonmilitary contribution as the Murayama Cabinet holds up a policy of "making intentional contribution as a pacifist nation." The government, in its mid-term five-year ODA plan, sets the total ODA at \$70-75 billion beginning in 1993. To achieve this goal, the government has to increase the ODA by about 10 percent every year.

A Foreign Ministry official in charge of the budget compilation stressed: "Worldwide demand for ODA is increasing." As for the yen's exchange rate, the official said "when compared with last year, wherein it went up sharply to Y106 from Y122 [to the dollar], the increase in the yen's rate this year is small." When the first draft

budget request (ceiling) was made in July, the ODA budget, thanks to the ruling parties' efforts, increased by 7.7 percent, down only 0.2 percent from the previous fiscal year.

However, the situation changed when suspicions about bid-rigging in connection with a technical assistance program under the ODA came to light in September. In addition, there is a view questioning extending the huge amount of ODA to China, which has repeatedly conducted nuclear testing.

Although the Foreign Ministry is trying to improve the system of implementing ODA by correcting the bidding system and introducing an ODA inspection system into the budget request, there is an increasing view pointing out the unclearness of the ODA. Therefore, the fiscal 1995 budget may serve as a turning point for ODA policy, shifting from "quantity to quality."

### Lower House Approves GATT Agreement

OW0212043694 Tokyo KYODO in English 0427 GMT 2 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 2 KYODO—The House of Representatives gave final approval Friday [2 December] to a sweeping world trade agreement to create a new global trade watchdog and a package of seven bills to meet the resulting opening of Japan's agriculture markets.

The passage of the Uruguay Round trade agreement and the seven bills came the day after a key panel of the lower house endorsed them. They are still subject to voting by the House of Councillors or the upper house.

The government is looking for an extension of the Diet's current session, due to end Saturday, so that the trade pact and bills can pass through the Diet by Dec. 8, when trade officials meet in Geneva to fix the initiation date for the World Trade Organization (WTO) on Jan. 1 as slated.

The WTO is to replace the General Agreement on Tariffs and Trade, which has served as the most influential international trade organization in the postwar period.

Under the Uruguay Round trade agreement, Japan is required to open its rice market next year, initially allowing imports equivalent to 4 percent of domestic consumption.

The so-called "minimum access" clause of the trade pact calls for raising the portion of rice imports in domestic consumption to 8 percent by the year 2000.

The seven bills which passed through the lower house include a bill calling for a total outlay of 6.01 trillion yen over the next six years to help protect farmers from competition from imports expected under the new trade pact.

### Foreign Ministry's Yanai Calls for UNSC Seat

OW0212084294 Tokyo KYODO in English 0832 GMT  
2 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 2 KYODO—Japan needs a permanent seat on the U.N. Security Council [UNSC] because Japanese taxpayers, who provide the second largest share of the world body's budget, will not agree to pay for peacekeeping operation costs without having any say, according to a senior Foreign Ministry official.

"Thinking of concrete international contributions, it is necessary to have a vote and permanently participate in Security Council decision making," said Shunji Yanai, director general of the ministry's Foreign Policy Bureau.

"This also goes for peacekeeping operations. Japanese taxpayers will not be able to accept bills (for peacekeeping contingents) with the absence of Japan (on the council)," he said in an interview with KYODO news service.

Japan is already supplying 12.4 percent of the UN budget, second only to the United States, a share that will further increase next year, according to Yanai.

While saying that 59 of the 184 UN member countries have already voiced support for Japan's bid to become a permanent member of the Security Council, Yanai acknowledged that gaining a permanent seat "is, frankly speaking, not an easy matter."

He said there is consensus that the 15-nation Security Council should be expanded but so far no conclusion. The council groups the permanent members of Britain, China, France, Russia and the United States which wield veto power along with 10 nonpermanent members.

Alluding to Japan's war-renouncing Constitution, Yanai said the most touchy issue for Japan is the use of force in connection with UN missions. But UN members take the stance that the body will have to conclude special agreements with participants before forming standing UN forces.

He also defended the recent nuclear agreement between the U.S. and North Korea that pledges to supply the North with two light-water reactors in exchange for a freeze on its nuclear activities suspected of serving military purposes.

South Korea and Japan are expected to foot the lion's share of the bill, estimated at 4 billion dollars, for the reactor project.

He said those who argue Pyongyang used its nuclear program to strong-arm other nations into giving assistance should be aware that the other option would have been economic sanctions and increasing tension with an unknown outcome.

"Judging that a dialogue solution is the best for ourselves, we hope to continue our cooperation with the United States and South Korea," Yanai said.

### Lower House Passes Atomic Bomb Redress Bill

OW0112134694 Tokyo KYODO in English 1312 GMT  
1 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 1 KYODO—The House of Representatives Welfare Committee on Thursday [1 December] passed a government-sponsored bill for financial aid to families of the victims of the 1945 atomic bombings of Hiroshima and Nagasaki.

The committee passed the government's bill after voting down a counterproposal submitted by major opposition forces as well as a separate bill by the Japanese Communist Party.

The government bill is expected to clear the lower house plenary session Friday and then be sent to the House of Councillors for final approval.

The committee also passed an accessory resolution calling for government efforts to help medical institutions in Hiroshima and Nagasaki make global contributions in treatments of injuries by radiation.

The bill is aimed at putting legislation into effect next July 1 for paying to families 100,000 yen per family member who died by March 31, 1969, from effects of the 1945 atomic bombings, if the families themselves are suffering from effects of the bombings.

The bill submitted by the opposition Diet bloc Kaikaku (Renovation) was seeking a 100,000 yen payment per deceased victim for all the families of people who died due to effects of the bombings even if the families are not currently suffering any effects.

Both the bills prepared by the ruling coalition and the opposition say the compensation should be provided in the form of government bonds worth 100,000 yen which are redeemable in two years.

### SDPJ Faction Seeks Inauguration of New Party

OW0112151894 Tokyo KYODO in English 1441 GMT  
1 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 1 KYODO—A rebel group in the ruling Social Democratic Party [of Japan] (SDP) [SDPJ] will seek to hold an inaugural convention for a planned new party, rallying "democrats and liberals" and absorbing the SDP itself in January, group officials said Thursday [1 December].

The New Democratic League, the largest internal SDP group, will demand that the party's leadership convene the convention sometime before the ordinary Diet session set to open late January, the officials said.

The group reached the decision at a general assembly of its members, the officials said.

The participants, however, did not directly refer to a timetable for the convention to disband the SDP and left it to the leadership to decide when to establish a new party, they said.

The SDP, one of the three ruling coalition parties, is set to call a national meeting of its local deputies on Dec. 18 to discuss a proposal to transfer its legislators to the new party.

Another internal SDP group of supporting party leader and Prime Minister Tomiichi Murayama, is less eager to promote the idea.

Murayama and the party's No. 2 man Wataru Kubo have agreed to avoid a split in the party. Kubo, the SDP secretary general, has advocated changing the party into a new force rallying democrats and liberals.

#### **Kaifu Front Runner To Head New Frontier Party**

*OW0212065894 Tokyo KYODO in English 0639 GMT  
2 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 2 KYODO—Former Prime Minister Toshiki Kaifu emerged as front runner Friday [2 December] to head the emerging new grand opposition party as Tsutomu Hata, another former premier, indicated he would drop out of the race.

Hata told reporters Friday morning, "so far, I have not said that I might run" for the leadership of Shinshintō (New Frontier Party) to be formed Dec. 10 by merging all the major opposition parties except the Japanese Communist Party.

"Unless we launch the new party smoothly, we will lose the opportunity to straighten up Japan as a country," Hata said.

His remarks fueled speculation that Kaifu will head the party, with Ichiro Ozawa, Hata's long-time ally, as deputy leader, political sources said.

Ozawa is now chairman of the action committee of the 187-member parliamentary group Kaikaku (Renovation)—the forerunner of Shinshintō.

Keiwa Okuda, a member of Hata's Shinseitō, is lobbying the opposition parties to put Hata at the helm of Shinshintō.

But the sources said a majority of Shinseitō legislators as well as many Diet members of Komeitō, the Japan New Party, and defectors from the Liberal Democratic Party are pushing for a leadership centering around Kaifu and Ozawa.

"I hope that the great majority of Shinseitō legislators will step up their bid to back Hata," Okuda said Friday.

#### **Kaifu Hopes for Sole Candidacy**

*OW0212123294 Tokyo KYODO in English 1208 GMT  
2 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 2 KYODO—Former Prime Minister Toshiki Kaifu, who has emerged

as a front-runner to head a new grand opposition party, expressed hope Friday [2 December] for being singled out as the party leader through negotiations.

"What I want is to form a sound political party. We should deepen understanding by aiming at negotiations (for choosing the leader)," Kaifu told reporters.

Kaifu's chance of being nominated as the sole candidate for an election to choose the leader of Shinshintō (New Frontier Party) has increased as Tsutomu Hata, another former premier, indicated he would drop out of the race.

Hata told reporters earlier in the day, "so far, I have not said that I might run" for the leadership of Shinshintō to be formed Dec. 10 through the merger of all the major noncommunist opposition parties.

The preparatory committee for Shinshintō will accept candidacies Dec. 7 to choose the leader and secretary general of the new party, with a vote to take place the following day if there are two or more candidates.

Political sources said Ichiro Ozawa, Hata's longtime ally, is most likely to assume the post of secretary general.

But the nomination of Ozawa as deputy leader is expected to force the defection from the new party of a small number of members, probably less than 10, of the 187-strong parliamentary group Kaikaku (Renovation)—the forerunner of Shinshintō, the sources said.

Ozawa, a key strategist in creating the new party, now serves as chairman of the Action Committee of the group Kaikaku. But some have expressed dissatisfaction with Ozawa's growing influence in the new party.

Keiwa Okuda of Shinseitō, the party headed by Hata, is still lobbying the opposition parties along with other younger forces to put Hata at the helm of the new party.

But the political sources said a majority of Shinseitō legislators as well as many Diet members of Komeitō, the Japan New Party and defectors from the Liberal Democratic Party are pushing for a leadership centering on Kaifu and Ozawa.

As vice presidents of the new party, Komeitō Chairman Koshiro Ishida and Democratic Socialist Party (DSP) Chairman Takashi Yonezawa have emerged as prominent candidates, the sources added.

#### **\* Takemura, Sakigake Portrayed as Winners**

*952B0017A Tokyo SEIKAI in Japanese Nov 94 pp  
36-40*

[Article by Hisao Imai, political commentator: "The 'True Colors' of New Party Sakigake, Which Always Continues To Ride Winners"]

[FBIS Translated Text] *At the time of its formation it had only 15 members. Everyone thought it was a small party that would soon vanish like foam. But the fact is, it leaped from one coalition government to another like a young*

*Yoshitsune, and is now called a "key party." "What on earth is Sakigake [Harbinger]?"*

#### **Takemura, Who Turned a Double Handicap to His Advantage**

The age shown in the family record of Finance Minister Masayoshi Takemura of the Murayama cabinet, which is now in power, is 60, born in 1934. But he was elected only three times.

If he had remained in the Liberal Democratic Party [LDP] he would be below the average. It would have been the time when he had barely managed to experience the post of parliamentary vice minister, and a permanent committee chairmanship in the Diet would have been coming around to him before long. But he would still not be called as a cabinet minister. He would have to be elected at least twice more in order to gain the status of a candidate for cabinet minister.

If only Takemura were a politician in his thirties or forties, there would be happiness in his future. Even if he waited twice, he would still be only in his forties or fifties. He would be in the prime of life, when one does one's best work. If he served two or three times as a cabinet minister, and had the ability and good luck, even becoming president of the LDP and prime minister of Japan would not be a dream.

But when one considered turning 60 that year, even if Takemura had the intention, and even if he had the ability, it would be absolutely impossible for him to become prime minister. Whether speaking from Nagatacho conventional wisdom or from the physical laws of probability, it is something that could not happen.

But hold on, Takemura survived. Turning a double handicap to his advantage, Takemura went and participated in the top group in Nagata-cho from the outside. At present the Murayama cabinet is in fine condition, but in the world of politics one does not know what will happen in the next moment. It means that if some unlikely thing were to happen to Prime Minister Murayama, at present the one to succeed him would be Takemura or Foreign Minister Yohei Kono. Kono is president of the LDP, the leading party of the coalition, and he has also been elected 10 times. He is fully equipped with the dignity to be nominated as a candidate for prime minister. Takemura is on a level with Kono, so he is an extraordinary person.

#### **"The Beginning Is Like a Virgin; the End Is Like a Fleeing Hare"**

When we look at the 60-year course of Takemura's life, the beginning is like a virgin, and the end is like a fleeing hare. Anyhow, the beginning is somehow confused and unclear. To make up for that, on the way it picks up speed in the twinkling of an eye, and is sure to be first to plunge into the goal. It is a repetition of that. In his high school days he was so "inflected with left-wing ideas"

that he was placed on indefinite suspension from school. Furthermore, although he entered Nagoya University's Faculty of Engineering on his second attempt, he dropped out after a year. He managed to enter Tokyo University's Faculty of Education, but transferred to the Faculty of Economics, and during that time he married and even fathered a child. It cannot be called a smooth course.

Even so, he entered the Ministry of Home Affairs. He worked assiduously, studying in West Germany, going on temporary loan to be chief of the Saitama Prefecture Local Affairs Division and undergoing elite training as director of the secretariat for the main ministry. It was during this period as director of the secretariat that he was noticed by Kakuei Tanaka and did some help on *A Plan for Reconstruction of the Japanese Archipelago* [Nippon retto kaizo ron].

There is no karmic relationship between Tanaka and Takemura. But as one might expect, the fact that he was noticed by Tanaka among 50,000 bureaucrats was probably because there was something common to both of them. But Takemura did not become inextricably involved with Tanaka. Fortunately, his association with Tanaka ended with receiving one box of salty pickles from him.

If Takemura had remained at the Ministry of Home Affairs he might have been able to become a bureau chief, but it is doubtful whether he could have advanced as far as vice minister. Takemura changes from one job to another neatly. First he became mayor of his birthplace, Yokkaichi in Shiga Prefecture. If that were all, it would be a modest change to a new job. But three years later he challenged in the Shiga gubernatorial election, and brilliantly won his first election victory. At the time he was 40 years old; it was the birth of Japan's youngest governor. This, indeed, probably should be called a neat change of jobs.

It was a victory in which he was backed by the reform forces, and he pursued the corrupt setup of the previous governor, making opposition to the LDP his slogan. But before one knew it, this reform governor confidently ensconced himself with "all governing parties" including the LDP, served two, then three terms, after which he announced himself as being in the LDP, and transferred to the lower house of the Diet. People call this Takemura's ambition. But he himself does not think so. He believes it is his aspiration. It is unclear just what the difference is between ambition and aspiration, but Takemura changed twice and three times as his aspiration directed him. When he was governor he came to know Morihiro Hosokawa, who similarly was governor of Kumamoto. This would be important later.

When Takemura became governor he was the youngest governor in Japan, but when he became a member of the Diet he was 51. In terms of a white-collar worker, he was still under retirement age, certainly not old. But at the

same time, neither could one say that it was a time of youthful rashness. He was a bit too worn to begin with the ABC's as a freshman.

### Staging of Calculated "Callowness"

But Takemura was properly calculating the situation. Though you would not think so to look at him, he is good at karate, swimming, and cycling. While swimming through Nagata-cho, he uses a mortal blow from karate at the best time, and plunges across the goal. What decides the contest in cycling is the 50 meters before the goal. If you break the tape even 1 centimeter ahead of your opponent, your order during the middle of the race is not questioned.

Takemura himself recognizes that he is inexperienced. Being inexperienced means being an amateur, being immature, and enduring things unnecessarily for the sake of pride. It is certainly not stylish. But Takemura's lack of polish is a calculated lack of polish.

Although a freshman, Takemura would not even look at routine party affairs and government affairs. He suddenly poked his head into political reform.

Political reform is always a big political subject. Political reform was also being debated noisily at the time of the Nakasone cabinet, when Takemura made his debut in Nagata-cho. However, no one thought it would develop into the kind of noble cause that would overturn governments.

But Takemura, who understood nothing, fixed his eye on this. He thought he would gain governing power by it. He is a person to be watched.

As secretary general of the Political Reform Promotion Headquarters [seiji kaikaku suishin honbu], Takemura served four directors: the first generation, Director Masayoshi Ito and Deputy Director Masaharu Goto, and directors Takashi Hasegawa, Shigeru Kasuya, and Kiichi Miyazawa. He really immersed himself in political reform for five and a half years. But it was neither indulging in a hobby nor wasting time. It was the fastest road to race to the top of political circles.

### Aversion Toward Second-Generation Diet Members Was the Origin of Criticism of Ichiro Ozawa

Because of his relationship with Shintaro Abe, who had been solicitous of him since Takemura was a governor, he entered the Abe faction, and stayed in the Mitsuzuka faction. Takemura was treated coldly in the Mitsuzuka faction, but according to his experience, it probably should be called natural.

A governor is the lord of a fief and a castle, so he is waited upon by many followers, but a member of the Diet is a lone wolf. Diet members must do everything by themselves. In his book, *Japan, a Small but Shining Nation*, Takemura, who does not own a car, writes

vividly of the misery of searching desperately for a taxi in front of the Diet Office Building while getting wet with rain.

Antipathy toward second-generation Diet members is the other side of that misery. Under the protection of their parents' influence they enjoy a political life without any difficulties, just by the chance privilege of having been born the child of a politician. That is unbearable to a person like Takemura, who worked himself up from a low position. The origin of his criticism of Ichiro Ozawa lies in that area.

Second-generation Diet members who act important are offensive to Takemura, but he also finds offensive the presence of elder Diet members who board the escalator of the seniority system and who increase their influence just by being elected over and over.

With no backing at all, he only went on getting older. In spite of which, the number of times he was elected did not increase at all. Takemura's irritation kept increasing. Nagata-cho would become a mere shell, and the end was in sight for the LDP as a stage for action. Yet, Takemura lacked the courage to leave the LDP, and there was no opportunity for that in sight.

At that point opportunity knocked. The LDP has an unbreakable relationship with corruption. Even if there is a day when crows do not call, there is no day when an LDP scandal does not appear in the media. It finally reached its limit in the waning days of the Miyazawa cabinet.

While having a hand in political reform, Takemura was astonished that his own political activities required money. He had not thought that the gap between ideal and reality was that deep. It is a great contradiction. Takemura was not the only one troubled by that contradiction. He had a number of comrades. They gathered together, and the Utopia political forum came into being by spontaneous generation. It was the forerunner of new party Sakigake.

A no-confidence motion came from the opposition parties against the Miyazawa cabinet, which had put off political reform. But what is admirable is that, after giving notice that they were leaving the LDP, Takemura and his comrades opposed the no-confidence motion. This was different from Ozawa's Shinseito [Japan Renewal Party].

### The "Coercive, Strong-Arm" Fight to the Death of Takemura Versus Ozawa

Well, the result of the subsequent dissolution of the Diet and general election was that the LDP lost its majority, and LDP one-party rule which had continued for 38 years was brought to an end. And in an instant the political situation converged in a non-LDP direction, and the Hosokawa cabinet coalition of eight parties and factions started. The course of this time is still fresh in our memory.

The eight parties and factions fell into step solely on anti-LDP slogans, so even if they agreed on that single point, for the rest they were a divergent and unruly crowd. It is no wonder that it was called marquetry work or delicate craftsmanship on glass. That Hosokawa cabinet continued for eight months. Whether we should say it lasted only eight months or it lasted all of eight months must await the judgment of future historians.

Takemura first linked hands with Hosokawa and next joined with the Social Democratic Party of Japan [SDPJ]. And the one toward whom he was consistently antagonistic from start to finish is Ozawa. Hosokawa was really tuned to Takemura, but he also felt a fresh attraction in Ozawa. Takemura's post was chief cabinet secretary. Ozawa was also aiming at a position as secretary to the cabinet. Ozawa's intention was that he not take the title himself, but that he place a confidant in the position. Therefore, he planned a strong counterattack, thinking to at least obtain the post of deputy chief cabinet secretary if he could not get chief cabinet secretary.

But Takemura installed Yukio Hatoyama as deputy chief cabinet secretary, and in addition, even went so far as to create a new post of special assistant to the prime minister, and put Shusei Tanaka in it. He rejected Ozawa's every request, and firmly secured the Secretariat by like-minded persons.

It was a total defeat for Ozawa. Takemura easily brought down that coercive, strong-arm Ozawa, so it means that he is more coercive and strong-armed than Ozawa.

But it does not mean that Takemura fought with Ozawa face to face. He only used Hosokawa. The chief cabinet secretary, the deputy chief cabinet secretary, and the special assistant to the prime minister all pushed it through by "the will of the prime minister." If pressed by Takemura saying: "Do you take me or do you choose Ozawa?" Hosokawa could not very well fail to declare Takemura the winner. There is something attractive in Ozawa's ability to judge and ability to act, but say what one may, he is an unknown quantity. There is some feeling of caution. Takemura used that psychology on Hosokawa.

Ozawa is [Shogun] Yoritomo Miyamoto. Once he has suffered a wrong he will be sure to repay it. A problem of reshuffling arose in the Hosokawa cabinet. The epicenter was Ozawa; the objective was to change the chief cabinet secretary. At about that time the relationship between Hosokawa and Takemura began to be delicate. Formerly they associated as equals. Rather, speaking from both age and experience, Takemura was the senior of the two. Takemura has been associating with Hosokawa with that belief. But now they are in the superior-subordinate relationship of prime minister and chief cabinet secretary.

Hosokawa is a feudal lord. He has acquired the habit of being revered as a superior. Takemura, in his own way,

has the character of being cock-of-the-walk. For example, the new party Sakigake is limited to members who are in their third term or less. The oldest person within it is Takemura. Therefore, it is an arrangement by which Takemura gives the orders on everything. There is no likelihood that a lord and a cock-of-the-walk would get along. It is a question of time before they face each other.

Ozawa stormed that gap. This time Hosokawa could not be depended upon. The Takemura faction was in a difficult situation. But Takemura escaped the predicament. The SDPJ became the god that rescued him.

Takemura is, by nature, close to the SDPJ in terms of both philosophy and policy. For example, in regard to the Constitution he stands on the side which protects the Constitution, and he is a dove on war and peace. Takemura is the one now giving the highest rating to the argument that the Self-Defense Forces are constitutional, which was Prime Minister Murayama's most painful decision.

He does not hesitate to praise the SDPJ, saying: "The SDPJ is the one that changed history."

#### **What Will Be the Next Move Devised by Ieyasu-Style Takemura?**

Under circumstances which are widely known, the Hosokawa cabinet resigned and was replaced by the Hata cabinet. Takemura descended to the opposition along with the SDPJ. But the opposition party period of remaining loyal to the cause under adverse conditions ended after only one month. The Murayama cabinet appeared because of the wholesale resignation of the Hata cabinet.

The Murayama cabinet is a tripartite coalition cabinet of the LDP, SDPJ, and Sakigake. It would be understandable if it were the LDP and Sakigake. They are family that once ate out of the same pot. Nor would there be a sense of incompatibility with the SDPJ and Sakigake. They have the relationship of having governed together in the Hosokawa cabinet. But one cannot help feeling resistance to the LDP and SDPJ forming the same government.

The LDP and SDPJ differ both in birth and breeding. They each lived in different worlds. It means that for the 40 years of the 1955 setup they were in the relationship of bitter enemies, so to speak. They unite. However one considers it, it is not appealing.

Certainly, if it were only the LDP and the SDPJ, coalition would be impossible, regardless of what kind of argument one came up with. Even if you mixed the two parties together, no chemical reaction would occur. However, if a catalyst called Sakigake is there, the LDP and SDPJ suddenly spout smoke, give off heat, and combine.

Takemura was the one who perceived that just before the SDPJ launched its plan for government and its basic policies. Later, the LDP followed reluctantly. Be it emaciated or withered, the LDP is still comparatively the largest party in the Diet. Because the Hata cabinet fell, governing power naturally came round to the LDP. That is the normal course of constitutional government.

But the normal course does not necessarily match reality. At that stage the LDP was conducting meticulous simulations concerning a Prime Minister Kono, a Prime Minister Murayama, and a Prime Minister Takemura. The result was that Prime Minister Kono had realistic prospects of zero; in Murayama or Takemura, Murayama had a slight lead. The LDP wagered its party's destiny on that slight lead. Thus the LDP-SDPJ coalition government came into being.

It is well to remember these two facts: that the Murayama cabinet is a government which includes Sakigake and that at a certain stage in its establishment a Takemura government was also one of the options.

Takemura became finance minister in the Murayama cabinet. If Kono is foreign minister and deputy prime minister, Takemura can be said to be a second deputy prime minister at present. Even though the Murayama cabinet is called such things as a cabinet resulting from an illicit union, at present, even if one would not go so far as to say it is sailing with full sails on a fair wind, it has somehow functioned safely without mishap. It got by the summit, and its public support rate is rising.

If it rides out the autumn special Diet session, the Murayama cabinet may take root unexpectedly. It is ironic because hopes have emerged for long-term government by the Murayama cabinet, which was unclear as to being fish or fowl.

But only the gods know the future in the world of politics. It is unclear what will happen, and it will not be strange no matter what happens. Relaxing one's guard is prohibited.

But even if Murayama were to collapse in midterm, there would be no shortage of talented persons to be the prime minister to succeed him. Even Kono would do, and even Takemura would be okay. It would also depend on the situation at that time, but there are some cases in which it would rather be easier to agree on supporting Takemura of the catalyst party.

Whether knowing that or not, Takemura is firmly ensconced in the Ministry of Finance. He is controlling every aspect of even budget compilation and tax reform, but he does not get involved himself.

While riding on Finance Ministry bureaucrats, Takemura keeps an eye on everything. In regard to personnel, too, the same is also true about Administrative Vice Minister Saito, who was said to have a tendency toward the Ichi-Ichi [Ichiro Ozawa-Yuichi Ichikawa] line. The

Finance Ministry bureaucrats see Takemura as a minister who is both trustworthy and ominous.

Takemura's true colors are exactly the same as those of Iyeyasu Tokugawa, who was a wise old badger. He schemes this and that, and waits patiently for a stroke of good fortune. Come to speak of it, it is not that his seemingly kindhearted eyes are shining even if they are small; though small, they are flashing with anger.

#### \* Retiring Rengo Chairman Yamagishi Profiled

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[Article by Ushio Shiota, non-fiction writer]

[FBIS Translated Text] The powerful labor leader who manipulated political developments together with Ichiro Ozawa has resigned. How will it affect the formation of the new-new party?

As the act marking the departure of a person called the "don of the labor circle" and the "mover of political reorganization" who drew public attention for a long period, his retirement came about too abruptly. Akira Yamagishi, chairman of Rengo [Japanese Trade Union Confederation], suddenly announced his intention to resign. At least, to the general populace, it was an "unexpected event." Thus, speculations became rife about the reasons for his resignation.

"He seems to have lost interest in continuing because of the birth of the coalition government of the Liberal Democratic Party [LDP] and the Social Democratic Party of Japan [SDPJ], which he did not favor, in the June political upheaval."

"At the SDPJ general meeting on 3 September, he was treated badly, with jeers deriding him, even his suit was torn, so he probably became totally disgusted."

"There is a report that last year, when he was elected for the third time, he had promised that he would resign midway through his term."

Actually, however, this was not altogether sudden, and not a few of his associates had anticipated this occurrence from a while back.

Teruhito Tokumoto, chairman of Jidosha Soren [Confederation of Japan Automobile Workers' Unions] and Rengo vice chairman, recalls that:

"He had not disclosed his intention to resign. However, I had the feeling that he might resign. He had mentioned that, 'I will be 65 on my coming birthday on 18 July so I will be eligible to receive an old-age pension.' However, about early August, he was saying that, 'I will not resign.'"

Yamagishi revealed his intention to resign on 8 September, 50 days after he reached the age of 65.

"I am receiving treatment at the hospital for high blood pressure, diabetes, and hypothyroidism and was told by the doctor to refrain from hard work."

At the press interview held at the Sohyo Hall in Awaji-cho, Ikanda, Tokyo, to announce his resignation, he mentioned his illnesses and stressed that the reason for his resignation was a "health problem."

In July, Yamagishi received a thorough clinical examination and was directed by the doctor to "prepare to quit his job." On 5 September, three days before his resignation announcement, he disclosed his condition and hinted at his retirement to Jinnosuke Ashida, acting Rengo chairman and chairman of Zensen Domei [Japanese Federation of Textile, Garment, Chemical, Mercantile, and Allied Industry Workers' Unions] and Etsuya Washio, Rengo secretary general and former chairman of Tekko Roren [Japanese Federation of Iron and Steel Workers' Unions] at the committee meeting of the top three Rengo officials.

That evening, he was examined again by the doctor. On the following morning of 6 September, he submitted his resignation request to Ashida at the three-member committee meeting. Then, he announced his resignation formally at the central executive committee meeting on the 8th, after which he appeared at the press interview.

Yamagishi explained the reason for his resignation as "doctor's orders." However, at the press interview, he looked fine, answered questions in his usual jaunty manner, and appeared so energetic that it was difficult to believe he was a sick person. Everyone suspected that the reason for his resignation was not simply a health problem.

#### Struggle Over Chairmanship

Simultaneously with the spread of news about the resignation announcement, the first topic that popped up was the "rumored secret agreement to resign."

Yamagishi became the first chairman of Rengo in November 1989. Zenmin Roren [Japanese Private Sector Trade Union Confederation], a private-sector labor grouping; Kankoro [National Council of Government and Public Workers' Unions], a main unit of the former Sohyo [General Council of Trade Unions of Japan]; and Zen Kanko [Japanese Confederation of Public Sector Trade Unions], formerly affiliated with Domei [Japanese Confederation of Labor] joined together and formed Rengo, a consolidated body of Japanese labor unions and the labor front line was unified. He rose to the top of the labor circle at that time.

Then, four years later, in October 1994, he ran for his third term. Both Ashida, who was seeking the chairmanship for the first time from the former Domei, and Washio, who was pressed to run by those seeking a generation change, announced their candidacies. The election became a three-way battle, including Yamagishi, over the chairmanship.

However, as a result of negotiations, the decision was eventually made to continue Yamagishi's term and he was elected for the third time at the regular general meeting on 8 October. It was rumored, however, that a secret agreement had been made behind the scenes that, "after half of the term, or one year, had passed, Yamagishi would retire and yield the chairmanship to Ashida."

From the standpoint of timing—one year after the third election—Yamagishi's recent resignation announcement corresponds exactly with the rumored secret agreement. Even if Yamagishi had decided to resign to fulfill a promise made a year ago, that cannot be said to be an unexpected move.

However, Yamagishi flatly denied the existence of a secret agreement at the press interview. Actually, a definite promise, such as a secret agreement, might not have existed but it seems that when negotiations were being settled last year, there was a "silent agreement" among the top Rengo leaders that there would be a midterm replacement of Yamagishi.

However, it appears that the health problem, which Yamagishi himself gave as the reason for his resignation was not altogether a "made-up excuse." Yamagishi served as the executive secretary of the Zendentsu [All-Japan Telecommunication Workers' Union], his parent labor union, from 1974 to 1982 and the chairman during that period, Kazuo Oikawa, presently SDPJ upper house councilor, reports that:

"He had major stomach surgery at the Kanto Teishin Hospital two or three years ago. When I met him in Osaka on 1 September, he said that, 'I've reached my limit. I'll announce my intention to resign at the central executive committee meeting in August.'"

In the political circle, however, practically no one can be found who truly believes Yamagishi's word that his resignation is based on health reasons. Keigo Ouchi, former chairman of the Democratic Socialist Party [DSP], who joined with current Prime Minister Tomichi Murayama and Finance Minister Masayoshi Takemura to participate in Yamagishi's strategy of a "joint front to crush Ichiro Ozawa" during the latter period of the Morihiro Hosokawa cabinet, relates his personal impressions:

"His recent resignation announcement is due in part to retirement considerations and in part to disaffection. I do not think his health was the reason. With the establishment of the LDP-SDPJ coalition government, Rengo was practically split apart. As I see it, he lost interest because it became exceedingly difficult to pursue a single course politically. As a SDPJ member, he thought of SDPJ's position and tried his best but he was jeered at the party's general meeting. Such happenings probably hurt him badly."

In fact, I feel that the "health problem" is only an ostensible reason to gloss over external appearances. He

already had the chronic illnesses a year ago, when he was elected the third time, so it is not a convincing explanation as to "why he is resigning now."

It is probably correct, after all, to assume that his resignation was influenced by the manner in which the political reorganization, which he had been pushing since he became the Rengo chairman, has been progressing.

During the lengthy one-party rule by the LDP, which spanned 38 years, Yamagishi had appealed constantly for "overthrow of LDP rule, change of government, and establishment of a non-LDP regime." Last summer, his wishes were answered and the Hosokawa coalition cabinet emerged to replace the LDP government. However, miscalculations became apparent immediately. In June 1994, only 10 months later, an unexpected LDP-SDPJ coalition government emerged.

For Yamagishi, who had been aiming at "creating a non-LDP regime by marshalling SDPJ and DSP forces," the establishment of a LDP-SDPJ coalition was a big shock. With the establishment of a LDP-SDPJ government in which the SDPJ held the premiership, he had to conclude that it was impossible to fulfill his long-cherished desire of "uniting SDPJ-DSP forces" during his remaining year in office. Many believe that this was the most important factor which impelled his resignation.

Well, what were the real reasons for the resignation? What were the basic motives for Yamagishi's interest in political reorganization? Why was Yamagishi able to gain the power to move the political circle? Why doesn't the actual political movement progress according to Yamagishi's blueprint? Moreover, what effects would Yamagishi's withdrawal have on future political reorganization and formation of the new-new party? Problems hidden behind Yamagishi's resignation and changes that might newly emerge will be probed in this article.

#### Successful as Labor Activist

Yamagishi was born in 1929 in Osaka. In 1948, soon after the war, he graduated from the Kanazawa Postal Training School in Ishikawa Prefecture and started to serve at the Isurugi Post Office.

His labor activities started with service as an executive committee member of the Toyama District headquarters of Hokuriku Zentei [Japan Postal Workers' Union] Reconstruction Federation. In 1950, when Zentetsu was formed by breaking up the Zentei, which was ruled by the Japan Communist Party [JCP], he became the Toyama Prefecture Branch chief.

Yamagishi fought against the JCP relentlessly. While expelling communist elements, he climbed the union ladder step by step.

In 1955, he became a central executive committee member of Zentetsu headquarters. Later, for one tour,

he returned to field duties. After serving as executive secretary of the Osaka Central Telegraph and Telephone Bureau and executive secretary of Zentetsu Kinki district headquarters, he was recalled to the main headquarters in 1967. In 1974, he became the executive secretary of the headquarters and, in 1982, assumed the chairmanship, succeeding Oikawa.

Seigo Oki, SDPJ lower house representative, served for one term from 1958 as Zentetsu chairman and later became the Sohyo secretary general. In the early 1950's, Oki first met Yamagishi, who was then about 30 years old and engaged in educational and propaganda activities at Zentetsu headquarters.

"From his younger days, he was a very perceptive person and exceptionally sharp and capable. Since he was trusted by his associates, I thought that he would eventually rise to the positions of secretary general and chairman."

Oki related his impressions of over 30 years ago in those words.

Oikawa, who worked with Yamagishi at the Zentetsu headquarters for 14 years, from 1968 to 1982, was able to closely observe Yamagishi, who was beginning to show his talent in the labor movement.

"He despised the JCP since those days. He distinguished himself after he became the headquarters secretary general. He was a person with analytical power and unerring judgment. His reasoning was logical and understandable and he was an open person who tried to persuade others through face-to-face contacts. In the labor movement, you must be argumentative enough to confute others and he was capable in that respect. He was not a person who engaged in any secret manipulations."

When he returned to Zentetsu headquarters in 1967, Yamagishi began to conjure up "two dreams" toward the realization of which he was going to dedicate his life. Later, after he became the Rengo chairman, Yamagishi made the following comment: "From over 20 years ago, I had the two dreams of unifying the labor front and reorganizing the political world. I wanted to personally make these two dreams come true. Of the two, unification of the labor front was accomplished. Unless I can successfully complete the political reorganization, too, I do not think I can die peacefully."

Those words were spoken several months before the birth of the Hosokawa coalition government, while the LDP's one-party rule was still continuing.

Even since he stood on the front line as a labor activist, Yamagishi set major goals in the two fields of labor movement and politics and pushed forward toward their realization. Looking back at his progress until now, it can be seen that, of the two, he has accomplished practically all that he had aimed at in the labor movement sector.

First, he succeeded in attaining the positions of Zendentsu executive secretary and chairman.

In the privatization of the Nippon Telegraph and Telephone Public Corp., too, rising above his position as the top union leader, he busily engaged in political maneuvering and played a big role in the conversion to NTT Corp. in 1985. At the same time, with respect to the partitioning of NTT, which would have led to weakening of Zendentsu, he fully utilized his personal political power to block the measure.

On the one hand, he aggressively pushed forward the unification of the labor front. He aimed at consolidating the labor movement's national organizations which had been separated into Sohyo, Domei, Churitsu Roren [Federation of Independent Unions of Japan] and Shin-sanbetsu [National Federation of Industrial Organizations].

With a two-stage approach of first, establishing the Zenmin Roren embracing 6 million members by using the private sector leadership to break the framework of Sohyo and Domei and, subsequently, working toward unification with the 2 million-member Kankoro, he established a national center consolidating 78 local industrial unions. He fulfilled his long-cherished desire of unifying the labor front exactly 22 years after his return to Zendentsu headquarters.

Furthermore, upon the establishment of Rengo, he became its first chairman and both in name and reality, took over the top position in the labor world.

#### **"Rengo Boom"**

However, attainment of his other cherished goal in the political arena did not proceed as he desired.

In the political field, Yamagishi, who strongly opposed JCP influences in the labor movement since his younger days, aimed at marshaling new political forces under the "non-LDP, non-JCP" banner. He thought that the nucleus should be formed by the SDPJ, which depended on the former Sohyo as its support base, and the DSP, which was supported by the former Domei.

He believed that if Sohyo and Domei could be merged and incorporated in Rengo in the labor movement circle, the SDPJ and the DSP, which were apart in the political circle, would become integrated as a matter of course. Together with the move to unify the labor front, he started to reorganize the opposition parties. He thought that if politics moved too slowly, he could unify the labor front first and use that as a weapon to spur political realignment.

From the late 1960's to the 1970's, he first proposed an "SDPJ-Komeito-DSP line" and envisaged a plan to form a new party based on the three parties and then carry out a change of political regimes. However, he met strong resistance from the ideologically tainted SDPJ's leftist faction and the plan was dropped.

Since the 1970's, the trend of SDPJ's continuing decline and DSP's standstill had become noticeable. Yamagishi felt a sense of crisis about the stalemate of the two parties on which he counted. He repeatedly advocated a "historical SDPJ-DSP reconciliation." He proposed a reunion of the two parties on a number of occasions.

However, the political world did not move as he desired. Internal circumstances of each opposition party stood in the way and the merger of opposition parties could not be carried out readily.

A "favorable wind" began to blow, however, from 1988 to 1989, when the labor front unification became certain and the formation of Rengo was finally at hand. Events which were disadvantageous to the LDP, such as the Recruit scandal, introduction of the consumption tax, liberalization of agricultural products, etc., began to pile up. The SDPJ installed Takako Doi as chairperson—the first female political party leader—and gained popularity.

Yamagishi decided to enter the political battle immediately. In the July 1989 upper house election, he not only supported both the SDPJ and the DSP but took the chance of putting up 12 independent Rengo candidates for the first time in local district elections. The result was a big victory of 11 wins and 1 loss. Rengo showed enough power to form a group called, "Rengo Councillors," in the Diet.

The "Rengo boom" continued for a while. In the upper house by-elections to fill vacancies conducted in Nara and Miyagi Prefectures in February and March 1992, Rengo fielded candidates and won two consecutive victories. However, on looking back, it seems Rengo was at its peak around this period.

On 22 January 1992, the day official notification was given of the special upper house election in Nara, Yamagishi arrived in Nara to support Yukihiisa Yoshida, a candidate. After his "first speech," he appeared at the press interview room set up in the city's Nara Hotel. Yamagishi was noticeable as he occupied the center seat. Makoto Tanabe, SDPJ chairman, and Ouchi, DSP chairman, took their seats as though they were accompanying the "leading character," Yamagishi.

Because the labor union leadership was too conspicuous in the election, Ouchi gave frank advice:

"Labor unions and political parties should have close, cooperative relations, but their respective roles are basically different. If bounds are overstepped, the relationship would become like that between Sohyo and SDPJ in the past. There is a danger that, in its extreme form, it could become syndicalism."

That was a complaint made directly to Yamagishi. The people's view of the "protruberant Rengo" became harsh. Criticism began to mount that Rengo continued to win successively in elections and showed its strong presence in the political world, but its true character

could not be seen. Complaints began to rise that it was strong in elections, but its political course was not clear and its real nature was not apparent.

The political course was ambiguous because having included both Sohyo- and Domei-affiliates, which have had different policies traditionally, it could not set a definite course. Not a few persons thought that Rengo's strength in elections was only a temporary boom and with its noticeably lower ratio of organized labor, it did not have the power to sway politics.

The upper house election was held again in July 1992. Hoping to "repeat the former success," Yamagishi now fielded 22 Rengo candidates, nearly twice the number put up three years before. However, they all fell "fighting together" without a single person being elected.

Yamagishi was forced to change his strategy. Until then, Yamagishi's strategy had been to permanently reverse conservative and reformist strengths in the upper house by increasing the number of Rengo-affiliated members, use that momentum to eventually deprive the LDP of the majority in the lower house, and establish a government centered on both the SDPJ and the DSP, to replace the LDP.

However, with the utter defeat of Rengo candidates, the merger of the SDPJ and the DSP became difficult. The prospect of changing the government by expanding socialist forces did not appear as promising as heretofore.

Then, a "political reform" movement involving the financial circle began to surface. From the political circle and especially from the LDP, the ruling party, a group appeared which declared that political reform must be carried out in order to break away from corrupt money politics. Even in the financial circle, those who were critical of "politics which cost too much," endorsed political reform and offered support.

Those who advocated political reform made revision of the lower house electoral system the central theme.

Washio and Tokumoto made the following suggestion to Yamagishi: "We want to promote political reform and, using that as the primer charge, push forward to political realignment. Rengo will be criticized if it acts openly. What if we established a separate organization to take action?"

Yamagishi agreed immediately, "That is a good idea." If electoral system reform materializes and a new system incorporating the small constituency system is introduced in lower house elections, it would be easier to unite SDPJ and DSP forces as he had hoped for all along. Not only that, but there was a possibility, he thought, that this movement, itself, might trigger the breakup of the LDP and become an impetus to political reorganization.

#### **Formation of Support Group for Political Reform**

Working on the financial circle and the media, he established in April 1992 the Political Reform Promotion Council, also known as the "Private Ad Hoc Council on Political Reform," which might be called the support group for political reform. Yamagishi decided to dispatch Rengo members to this organization. Over 10 top leaders of powerful local industrial unions also participated, not as union representatives but as individuals. Morishige Goto, chairman of Jichiro [All Japan Prefectural and Municipal Workers' Union], who had been regarded in the past as the representative of the leftist faction, also participated.

In November, the Private Ad Hoc Council on Political Reform held a big rally, called the "assembly of people seeking political reform," at the Hibiya outdoor concert hall, which was attended by 4,000 persons. Many Diet members of ruling and opposition parties were present.

The movement to carry out political reorganization with political reform as the breakthrough became earnest with both ruling and opposition parties. The smell of an imminent political upheaval gradually enveloped Nagata-cho. Rumors began to spread that, perhaps, the LDP's one-party rule which had continued for nearly 40 years might collapse.

"From the standpoint of numbers, the SDPJ-DSP forces alone cannot take over the government reins. To change the regime, a splinter group from the LDP must appear...."

Yamagishi, who had explored the possibility of a government change for a long period, was fully aware that political reorganization was impossible unless the LDP lost its majority status. He was hoping for an LDP split.

At that time, within the LDP, persons appeared who showed the determination to even "leave the party" in order to carry out the political reform and reorganization. That was the group led by Ichiro Ozawa and Tsutomu Hata.

Persons who were scheming the breakup of LDP's one-party rule planned a meeting between Ozawa and Yamagishi who might be called the "reformist" leaders of the conservative and liberal camps. Unfortunately, relations between Yamagishi and Ozawa had not been cordial until then. Yamagishi had been angered by Ozawa's method when he was the LDP secretary general and the strained relations between the two had not changed.

Above all, it was important to improve the relations between the two parties. First, the secretariat of the ad hoc political conference acted as the intermediary and sponsored a preparatory meeting.

There is a restaurant called "Kazuichi" in Shimbashi. In early February, in a room on the second floor of the annex, the following persons met: Sadao Hirano, an Upper House member, acting as Ozawa's representative;

Tetsunosuke Sakamoto, deputy secretary general of Rengo, acting as Yamagishi's representative; and Norihiko Narita, National Diet Library's Parliamentary Section chief, who later became the chief personal secretary to Prime Minister Hosokawa.

Subsequently, on the evening of Saturday, 20 February, Yamagishi and Ozawa met at the Hotel New Otani's restaurant, "Sazanka-so," in Kioi-cho. Yamagishi was accompanied by Sakamoto and Ozawa by Hirano. Kenzo Uchida, Tokai University professor who was serving as acting chairman of the ad hoc political conference, was returning from Osaka and arrived late.

He said, "I apologize to my seniors for being late."

The younger Ozawa nodded. After their "reconciliation," the two persons held a frank discussion on the prospects of the upcoming political reorganization.

"To promote political reform, I am prepared to leave the LDP."

So stated Ozawa in earnest. Yamagishi also promised to join hands in pushing forward toward political reform.

#### Telephone Call From Ozawa

In June, the no-confidence vote against the Kiichi Miyazawa cabinet passed and the Diet dissolution and general election followed. It became a crucial election to decide whether the LDP's one-party rule can be terminated. The chance for a political upheaval, which Yamagishi had hoped for from over 20 years before, had finally arrived.

However, Yamagishi's calculations kept misfiring. The most desirable development for Yamagishi was to deprive the LDP of the majority by increasing the Diet seats of SDPJ and DSP, which Rengo supported, in the general election and to form a coalition government with the two socialist parties as the nucleus.

Actually, however, the three new LDP splinter parties of Shinseito [Japan Renewal Party] and the new party Sakigake [Harbinger], together with the Japan New Party [JNP], increased their Diet seats. The LDP lost its majority status, as expected, but the SDPJ, which was supposed to become the nucleus of the coalition government, suffered a record loss and its Diet seats were reduced by half.

When the election results were confirmed, Yamagishi thought that the establishment of a non-LDP coalition government was impossible. However, on 19 July, the day after the ballot counting, there was a telephone call from Ozawa.

"I will form a non-LDP coalition government without fail. The head does not have to be Hata."

Ozawa was determined to topple the LDP regime instantly. Yamagishi promised to work on the SDPJ to enter the coalition.

Ozawa's tenacity prevailed and the Hosokawa coalition cabinet finally emerged. Yamagishi contacted and repeatedly urged SDPJ Chairman Sadao Yamahana, former Chairman Tanabe and then Vice Chairman Wataru Kubo.

Yamagishi certainly played a role in toppling the LDP government and creating a non-LDP coalition regime. However, the principal player was not Yamagishi, but Ozawa.

Regarding the developments, Yamagishi and Ozawa had their own insight. Yamagishi thought that though the LDP government had fallen, it would still take some time before the SDPJ-DSP forces can become the other pivotal political center. On the other hand, Ozawa probably thought that, although it had 8 million members, Rengo was not as powerful politically as it appeared to be.

Yamagishi and Ozawa joined together to attain the objective of overthrowing the LDP government. However, the ultimate goals aimed at by both persons were incredibly far apart.

The final goal envisaged by Yamagishi was the organization of a political entity, centered on the SDPJ and the DSP, to replace the LDP and the creation of a political setup that made a governmental change possible. As he saw it, Yamagishi joined hands with Ozawa and Shinseito only as a temporary measure to overthrow the LDP government, the first barrier.

On the other hand, Ozawa's basic strategy for political reorganization is to dismantle the political structure in which existing ruling and opposition parties, such as the LDP, SDPJ, Komeito, DSP, etc., had become fixed and, with the persons who were uniting under a new banner, create an entirely new political body and completely change the political map. To establish a government to replace the LDP is important, of course, but priority is placed on breaking up and dismantling both the LDP and SDPJ rather than holding on to the reins of government.

In short, the two persons overthrew the LDP government and established the Hosokawa coalition cabinet with different intentions in mind. That difference began to surface soon after the start of the Hosokawa regime.

Forming the "Ichi-Ichi line" with Komeito Secretary General Yuichi Ichikawa, Ozawa began to manipulate political power at will. In particular, he took a harsh stance toward the SDPJ, which lost in the election and trailed the Shinseito-Komeito block in Diet seats. Also, he did not rely as heavily as before on Yamagishi and Rengo, who were trying to exert political influence with their roles as SDPJ backers as the weapon.

Eyeing the next political change, Yamagishi searched for a new strategy under Hosokawa's regime. He linked up with SDPJ Chairman Murayama, DSP Chairman Ouchi, and Sakigake representative Takemura, who opposed the

runaway rule of the "Ichi-Ichi line" in the government, and started a movement to "organize a SDPJ-DSP-Liberal coalition."

Though allies but with different intentions, Yamagishi and Ozawa gradually drifted further apart. From late last year till this April, the two confronted each other directly over various problems, including the issue of carrying over the FY94 budget compilation till the following year, the moves leading to upper house rejection of the political reform bill, the dispute over introduction of the national welfare tax, the ruckus surrounding realignment of the Hosokawa cabinet, the establishment of the Hata regime, and the SDPJ's withdrawal from the coalition, etc. It became impossible to restore relations to the former level.

Nevertheless, Yamagishi held on steadfastly to his dream of uniting the SDPJ and the DSP. Rather, as chairman of Rengo, which supported both the SDPJ and the DSP, he wanted to prevent, by whatever means possible, the worst situation of separating the two parties into ruling and opposition parties.

At the post-Hata political conference, he wanted the SDPJ to reconcile with the former coalition group and return to power. On the other hand, there was a rumor that Yamagishi acted as the mover to bring about the LDP-SDPJ coalition. However, it cannot be believed that Yamagishi would have volunteered to promote the LDP-SDPJ coalition, which would result in "splitting Rengo." It is probably correct to assume that the emergence of the LDP-SDPJ coalition headed by Murayama was an "unexpected, bitter event" for Yamagishi.

#### "Frail Rengo"

Looking back at the series of developments which constituted the political turning point, i.e., the collapse of the LDP government, the withdrawal of the SDPJ from the coalition, and emergence of the LDP-SDPJ coalition government, following the end of the Rengo boom, it can be seen that Yamagishi's political reorganization strategy was practically a washout from the overall standpoint. Former DSP Chairman Ouchi explains as follows:

"The aftermath of the upper house election defeat in 1992 has burdened Yamagishi continually since then. Therefore, he was unable to play an important role in changing the Japanese political situation. Basically, the situation is such that the political influence of labor unions has lessened. The decline in the ratio of organized labor and the weakening of the labor union identity are having a big impact."

Yamagishi succeeded in unifying 8 million laborers to create a "powerful Rengo." However, because of laborers' alienation from labor unions and the forfeiture of "common benefits" through diversification of values, Rengo was faced with the problem that its internal power was being diluted. It became huge in size but, in essence, it deteriorated to a "frail Rengo" which could not be counted on when needed.

Yamagishi was fully aware of the real status of Rengo. He meddled in political realignments, meddled in political realities and intervened in elections and politics to the extent that he was criticized as being "too obtrusive." His objective was not simply, as a labor union representative, to seek policies to benefit laborers or to fulfill demands to improve the system. It is believed that there was a hidden aim to underscore the existence of Rengo and cover up the weakness of the "frail Rengo" through commitment to "politics."

However, this course set by Yamagishi was doomed to failure. Politics ignored expectations of the labor movement. Rengo's hope of uniting the SDPJ and the DSP forces was blown away. The LDP-SDPJ coalition government was established in an instant.

Although he was ultimately driven to failure, Yamagishi had moved politics from behind the scenes for a long period. At times, he supported his own Rengo candidates throughout the country, while at other times he exerted influence on both the SDPJ and the DSP by using tactics that were seemingly intimidating. The question arises as to why Yamagishi had that much power and what exactly was the source of his power?

Very few would question Yamagishi's personal character, strength and ability. Hardly anyone would disagree, upon reading the postwar labor movement history, that Yamagishi was an outstanding person, who should be specially noted, even among the top labor union leaders.

However, some claim that Yamagishi's ability to exercise tremendous power was not dependent on his personal strength alone. A member of the Rengo headquarters secretariat discloses the internal situation:

"Yamagishi had a huge operational fund at his personal disposal. He was the chairman, but Rengo paid only a monthly salary of 150,000 yen for the chairman's position and such a sum would be eaten up simply by expenses for ceremonial occasions. The chairman's operational expenses are covered by the particular labor union from which he came. Therefore, only well-heeled labor unions can field candidates to become chairman or secretary general. In the case of Yamagishi, Zendentsu looked after him. In fact, it is one of the richest, if not the richest, labor union in Rengo."

Zendentsu's organizational rate is 99 percent and the annual budget is approximately 15 billion yen. In addition, the livelihood struggle fund, accumulated to ensure wages in the event of strikes, is reported to be approximately 40 billion yen. The effective yield of this fund, even if left idle, amounts to a huge sum.

To support Yamagishi's activities, Zendentsu spent approximately 100 million yen annually, from its abundant funds, to cover personnel costs of secretaries, transportation expenses, social expenses, etc. It is certain that this financial wealth was one of the sources of Yamagishi's power.

### Criticisms From Zendentsu, Too

As the backdrop to Yamagishi's resignation, some point out the "unexpected occurrence" at his home base, Zendentsu. In July of this year, the top officials of Zendentsu changed. Replacing Kyuji Sonoki, who was close to Yamagishi, Koji Kajimoto, the vice chairman, assumed the chairmanship. Reportedly, Yamagishi had been expecting Sonoki's tenure to continue but ignoring his wishes, Kajimoto announced his candidacy and was selected.

In addition to the failure of his course emphasizing politics, which he had promoted aggressively, he was faced with the danger of the collapse of even his home base. Even within Zendentsu, over which he had wielded absolute power, criticisms had been rising sporadically that "his operational funds as Rengo chairman were excessive."

Yamagishi devoted himself intensely to his long-cherished goal of uniting SDPJ and DSP forces until immediately prior to his resignation announcement. In mid-August, when the former coalition group began to move toward formation of a new-new party, several top leaders of powerful local unions in Rengo approached Shinseito's key officers.

"We are now maneuvering to unite the SDPJ-DSP forces. Until the results are certain, won't you stop your preparatory actions to form the new-new party?"

The Rengo side made that request. Rengo wanted to reunite the SDPJ and the DSP through their own efforts and tried to resolve the "internal split" problem by whatever means available.

"If that is the case, we'll wait until late September."

That was the reply from the Ozawa side.

Conceiving various means, such as "SDPJ-DSP-Liberals merger" and "Rengo new party plan," aimed at independent formation of a party by Rengo, Yamagishi searched for a course which would enable Rengo to exert influence in the forthcoming political reorganization.

However, the ideas of a SDPJ-DSP-Liberals merger or a new Rengo party were not taken seriously by the opposition camp that was moving toward a new-new party formation.

"From here on, we might have to judge each political party independently, as we see it, rather than on existing cooperative relations, or judge the character of each politician individually. There are still many problems which must be solved politically in the future. However, I do not think that it is proper for the Rengo to form a political party."

That was the comment made by Jidosha Soren Chairman Tokumoto about future relations between the labor movement and politics.

Powerful and popular Yamagishi, who played the role of a villain at times, was always conscious of public attention and endeavored to create conversational topics by fully utilizing his genius-like ability to manipulate the media. Because of that, it is feared that Rengo appeared to have a stronger existence than its actual power. As to whether powerful influences were actually exerted as compared with the numerous images projected, there are many instances when the images were greater than the realities.

Whether good or bad, Yamagishi was the labor union leader of a generation ago, when boss-like leaders controlled organizations. The last runner of a former age is about to disappear at the goal line.

Now, highly educated leaders, who are graduates of Tokyo University, Kyoto University, Waseda University, etc., are jostling each other. Rengo is about to enter the age of labor technocrats who excel in organizational operations.

Will Yamagishi, who has disappeared at the goal line, try to establish a "cloistered rule" behind the group of technocrats? The majority view of Rengo officials is one of denial. There are some who think that he might continue influencing the political reorganization by speaking out as a freelancing commentator. However, an organizational leader who has left his organization will probably not have much influence.

"With the formation of a new-new party, there will be a bipolar structure, for the moment, in the political arena. However, this is a transitory pattern and later, if the SDPJ shifts to the side which decides to destroy a political setup centered on the LDP, an entirely new pattern might emerge. Yamagishi had envisaged a tri-polar structure consisting of conservative 'A,' conservative 'B,' and 'SDPJ-DSP-Liberals' parties. It is possible that, in the future, the new-new party will follow the scenario portrayed by Yamagishi."

That is the hopeful anticipation of future political realignment by Satsuki Eda, who gave up on the SDPJ-DSP coalition and joined the JNP. For quite a while, yet, Japanese politics might have to deal with the ghost of the "labor circle don," who was supposed to have retired.

### Textile Import Control Procedures Criticized

OW2911142494 Tokyo NIHON KEIZAI SHIMBUN in Japanese 25 Nov 94 Morning Edition p 2

[Editorial: "Basis for Invoking Control Actions on Textile Imports"]

[FBIS Translated Text] The Ministry of International Trade and Industry [MITI] has finally decided on the rules to apply in controlling imports of textile goods (which include export controls by exporting countries) based on the Multi-Fibre Arrangement (MFA), and has made a public announcement of them.

The MFA is an international treaty which authorizes a nation to take emergency measures to control imports when its own domestic industry faces problems as a result of sudden surges in imports of textile goods, and this control arrangement will continue for 10 more years under a new agreement even after the World Trade Organization (WTO) is launched.

The domestic cotton spinning industry, suffering from a sharp rise in imports of textile goods from China and other countries, has called for the exercise of this control right under the MFA for the past several years. But the MITI, because of the nation's huge trade surplus and other reasons, refrained from providing the domestic rules necessary for initiating the process of applying for control actions. Consequently, Japan's textile industry, which is the only industrialized country that has not instituted controls on imports, has been forced to reduce its operations over and over in face of heavy export offensives from other countries.

Given the conditions, one cannot deny the feeling that the rules are too late in coming, but the action can be said to be still a step of progress, as it conforms to an international rule.

But the domestic rules decided on by the MITI this time lack in transparency as regards what actions to take. In Europe and the United States, judgement on whether controls should be taken is drawn from the increasing rate of imports, losses and damage to domestic industry, and other import-related figures from the countries which are believed to be on an export offensive against Japan.

In Japan, MITI wants to add strategic factors to such numerical factors in making its judgement. In other words, the ministry wants to make its judgement after thinking about the following: how much the Japanese companies have contributed to making the imports grow; whether or not problems can be remedied by structural reform before import control measures come into effect; what impact such control measures will have on other areas of the textile industry; and whether there will be any adverse impact on trade relations with the pertinent exporting countries.

Furthermore, the ministry says it will consult with the Export-Import Transaction Council to hear the views of consumers and users before passing judgement whether to enact the control measures and what specific actions to take as control measures.

At first glance, all this looks good and necessary to make a fair judgment. But another look shows that the factors to be used in making a strategic judgement are all very abstract in nature and can be channeled in any direction, depending on how the MITI thinks. The system should be more transparent, and should be set in a way that the control measures are possible once certain criteria are met—as done in Europe and the United States.

As it is, it will take two months from the time industry requests an action to the time the ministry decides on initiating an investigation. Then the MITI starts the investigation, and decides whether an action should be invoked; it will have to consult with the Export-Import Transaction Council, and the MITI minister then makes his final decision. That process will take up to one year. Then bilateral nation-to-nation talks will begin, and the government will call on the country concerned to control its exports and will take steps to control imports if that effort fails.

To follow that process means, in fact, taking more than one year to curb imports. During that time, the exporting country can, in fact, step up its export offensive in preparation for the time when the control measures will come into effect. In view of this, it is desirable to go for a system wherein the control actions can be taken promptly when specified conditions of numerical criteria exist.

### International Commodity Market Faces Crisis

952A0062A Tokyo NIHON KEIZAI SHIMBUN in Japanese 6 Oct 94 p 27

[Article by Kazuhiko Nonoshita, Tokyo Commodity Department reporter: "Spurred by narrower business volume and less participation; Influence of Asia's Newly Rising Powers Increases"]

[FBIS Translated Text] *The Tokyo spot market for international commodities is facing a critical situation. Japan is a leading consumer of such commodities as petroleum, nonferrous and precious metals; however, in each market the transaction volumes are narrowing, and this is lapsing into a vicious circle linked to a shrinkage in market participants. In the context of their rapid economic growth, such newly emerging Asian markets as Singapore are increasing their influence, and cases of their stealing away European and American participants are conspicuous. The Tokyo market is rapidly losing its power to shape the prices of international commodities.*

In September, Lehman Brothers Commodities Japan withdrew from the business of spot transactions of gold and other precious metals. Representative director Kazunari Sugimoto says, "The appeal is gone from spot transactions." The firm handles a broad range of business including dealing in nonferrous metals and petroleum besides precious metals but appears to have abandoned one of its pillars on the Tokyo market.

For spot transactions on gold in Tokyo's business time zone there is the dollar-denominated local-London market and the yen-denominated local-Tokyo market. Local-Tokyo is a market conditioned on Tokyo making settlement and came into being in 1983 as a place for supply and demand adjustments covering inventory shortfalls among local gold traders, trading companies, and so forth. However, transactions that had swollen to a scale of 10 tons/day at their peak in the late 1980's are

now in a condition where, according to Marubeni, "Days of zero transactions are no longer rare."

The trend of the gold market is to strengthen its tilt away from the "direct-demand type" pointed at jewelry and toward the money-market type" aiming for such arbitrage business as that between internal and outside futures markets. Also highlighted has been local-Tokyo's "not being suited for the money-market form" (according to Mitsui And Company) which runs up transaction costs such as when a seller brings spot goods into a buyer's warehouse the day after they are promised. Market participants are also rapidly decreasing, such as in Nissho-Iwai's withdrawal from the market-making business.

Even in nonferrous metals, the "Tokyo curb," a dealers market on Japan time, is losing vitality. The Tokyo curb is linked to the global indexes of the London Metals exchange (LME) and had come to be used as a place where trading firms, rolled-aluminum makers, and others do price hedging. Lately, although internal demand for nonferrous metals is moving upward, but with the scale of market transactions having shrunk due to economic stagnation, a majority of users keep their distance from the Tokyo curb, saying, "Prices shoot up if we take large purchasing orders" (Merrill-Lynch Futures Japan). Centralization in the single pole of the LME is moving forward.

The situation is the same for the Tokyo spot market in petroleum, which has sunk into a state where, in the period of a week, they may possibly have two or three promises. It has become a market where investment funds are escaping, and "we cannot sell when we want to" (Kanematsu).

It is not just the pullout of existing market participants. Even in the newly entering group from Europe and the United States, firms are emerging those which avoid the Tokyo market after considering the market's future promise and such high costs as personnel. In June, the U.S. commodity trader J. Aron, one of the leading traders in international precious metal markets, chose Hong Kong as his base for advancing into the Asian market. Many involved in precious metals point to Hong Kong's greater attraction for pinning down China or Vietnam, which are growing rapidly as buyers of precious metals.

At present, the derivatives flooding financial markets are spreading out into the field of international commodities. In late 1993, for the first time as a trading company, Mitsui & Co., Ltd. inaugurated a Derivative Business Department that included precious and nonferrous metals and petroleum. Lehman Brothers also says, "We are putting emphasis on derivatives that combine commodities and bonds." The growth of derivatives with their large transaction scale, freely using their leverage effect, has focused all the more on trading in the New York and London markets and holds the possibility of accelerating the hollowing out of the Tokyo market.

### Current Account Surplus Shrinks in Oct

OW0212085494 Tokyo KYODO in English 0809 GMT  
2 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 2 KYODO—Japan's surplus in trade and services shrank 19.3 percent in October in dollar terms from a year before for a third straight month of double-digit declines, the Finance Ministry said Friday [2 December].

Import growth well outstripped that of exports to cut the imbalance to 8.90 billion dollars before adjustment for seasonal factors, the ministry said in a preliminary report.

"In yen terms, the current account surplus is on a downward trend, and it appears it may be heading downward on a dollar basis too," a ministry official said.

The closely watched trade surplus, comprising the bulk of the current account, also fell for a third straight month from year-earlier levels, slimming by 10.4 percent to 11.13 billion dollars, the report said.

In dollar terms, exports were up 10.1 percent from a year before, while imports climbed 24.3 percent, it said. In terms of volume, exports edged up only 3.8 percent while imports climbed 20.8 percent, the official said.

Among the rising export items in dollar terms were semiconductors, cars and car parts and office equipment, while exports of ships were among the decliners, the official said.

Imports of clothes, cars, chemical products and airplanes rose, while those of corn and beans fell, he said.

In services, another closely watched component of the current account, Japan's deficit swelled 80.4 percent to 1.70 billion dollars, helping reduce the overall surplus. Of that total, the transportation deficit widened a bit and travel turned from a year-earlier surplus to deficit, the ministry said.

The deficit in unrequited transfers, such as grant aid, expanded 18.5 percent to 539 million dollars, while the net outflow of long-term capital slowed to 14.13 billion dollars from a year-earlier 15.90 billion dollars, the ministry said.

In yen terms, the October current account surplus dropped 25.7 percent from a year earlier to 875.5 billion yen, the ministry said.

The trade surplus slimmed 17.5 percent to 1,095.8 billion yen, with exports inching up 1.3 percent to 3,279.5 billion yen while imports surged 14.4 percent to 2,183.6 billion yen, it said.

The services deficit expanded 66.0 percent to 167.2 billion yen.

The current account surplus in yen terms has fallen by double-digit percentages almost every month this year, the official noted.

The yen rose 6.9 percent from a year earlier for customs-cleared exports to an average 98.96 to the dollar and by the same margin for imports to an average 98.97 yen to the dollar.

The yen's rise tends to boost Japan's trade and current account surpluses in the short run by boosting the dollar value of exports. But theoretically, the stronger yen is supposed to help curb the imbalance over time by making Japanese goods and services more expensive in overseas currencies and making imports cheaper in yen terms.

### **Business Groups Seek Faster Deregulation**

*OW3011033594 Tokyo KYODO in English 0240 GMT 30 Nov 94*

[FBIS Transcribed Text] Tokyo, Nov. 30 KYODO—Japanese and U.S. economic organizations asked Prime Minister Tomiichi Murayama to step up deregulation efforts Wednesday.

The request was made by the Federation of Economic Organizations (Keidanren), the Japan Chamber of Commerce and Industry, and the American Chamber of Commerce in Japan (ACCJ) at the third round of meetings of the government's deregulation enforcement office.

Isao Yonekura, vice chairman of Keidanren, said he hopes the government will cut by half regulations during a five-year deregulation plan, on which the government is settling.

Shojiro Makino, on the board of governors of ACCJ, asked the government to complete deregulation plans, to be mapped out in the five-year plan, in three years.

At the opening of the meeting, Murayama reiterated his intention to promote deregulation efforts, by saying enforcement of deregulations is indispensable from the standpoint of improvement of the life of the people, revitalization of the economy and harmony with other nations.

### **Sonoda Urges Deregulation To Revitalize Economy**

*OW2911122194 Tokyo SANKEI SHIMBUN in Japanese 26 Nov 94 Morning Edition p 2*

[Interview with Hiroyuki Sonoda, deputy chief cabinet secretary, by SANKEI SHIMBUN; place and date not given; first paragraph is SANKEI SHIMBUN introduction]

[FBIS Translated Text] On 25 November, the government held its first meeting of the Committee To Study Deregulation and began mulling over concrete measures. We interviewed Deputy Chief Cabinet Secretary Hiroyuki Sonoda (former Sakigake [Harbinger Party]

secretary general) on how the government plans to compile its deregulation plans and the future political outlook, among other matters.

[SANKEI SHIMBUN] Why is it necessary to implement deregulation now?

[Sonoda] Japan made various regulations to protect weak points in its economic and social structures. Although such regulations, in themselves, were effective in the past, it is now necessary to review the livelihood of the Japanese people from the standpoint of consumers. This is necessary because the people can enjoy a truly prosperous life (by cutting down on costs through deregulation). Another reason is to help revitalize the Japanese economy. It is necessary to change the economic structure and rectify the gap in commodity prices at home and abroad.

[SANKEI SHIMBUN] What is the role of the Committee To Study Deregulation?

[Sonoda] The government's 5-year deregulation plan is a continuation of a plan taken over from the administration of former Prime Minister Morihiro Hosokawa. However, previous deregulation packages have mainly incorporated items that other countries have pointed out. In compiling the next package, we would like to hear opinions from domestic businessmen, consumers, and researchers on where we have problems.

[SANKEI SHIMBUN] Is the committee planning to deal with further deregulation?

[Sonoda] We plan to exchange ideas next week after consolidating opinions from at home and abroad. Then the government, for its part, will seek to arrange matters to determine where it should focus its efforts.

[SANKEI SHIMBUN] How will private sector opinion be reflected?

[Sonoda] The government will make the decision. The government should lend its ears more seriously to private sector opinions, and politicians must make the final decision.

[SANKEI SHIMBUN] How do you plan to overcome resistance from bureaucrats?

[Sonoda] It should not be difficult if the government stands united on the idea that as a rule, regulations are not really necessary. Politicians should make decisions by overcoming such barriers, supported by public opinion, among other things.

[SANKEI SHIMBUN] Do you not think Prime Minister Tomiichi Murayama should step in further and show his resolve?

[Sonoda] The prime minister will not make comments merely to gain popularity. He feels that if such issues as agricultural policies and tax system reform should be

settled during the current Diet session, all that would be left to deal with would be administrative reform.

[SANKEI SHIMBUN] Do you not feel that the Murayama administration will be affected by the activities of the Social Democratic Party of Japan's [SDPJ] "New Democratic League"?

[Sonoda] I am not worried because the group's movement did not emerge as a result of its disapproval of the administration. I consider this as one of many ways to determine how to decide on the party's basic policies and how to start afresh as a political party.

[SANKEI SHIMBUN] Can the Sakigake act in cooperation with the "new party of democratic and liberal forces?"

[Sonoda] Sakigake Chairman Masayoshi Takemura originally spoke about the concept of a tripolar political structure during the time of the Hosokawa administration. To create such a structure, I feel there is nothing wrong with having two of the three poles within the ruling coalition parties.

[SANKEI SHIMBUN] What is the possibility of forming a new party consisting of the LDP, SDPJ, and Sakigake?

[Sonoda] The three parties have never conferred about creating a new party. The LDP does not have any firm ideas about what it hopes to achieve. The Murayama administration hopes to proceed with improving the community while carrying out governmental affairs in a peaceful and democratic manner. We will have to wait to see how this will turn out.

### Editorial Urges Effective Deregulation Plans

OW0212122894 Tokyo YOMIURI SHIMBUN in Japanese 2 Dec 94 Morning Edition p 3

[Editorial: "Government Urged To Draw Up Plans To Relax Regulations Effectively"]

[FBIS Translated Text] The Administrative Reform Promotion Headquarters [ARPH] of the government has started the full-fledged work of drawing up a five-year plan for the relaxation of regulations.

Last summer, the Hosokawa Government announced that it regarded the relaxation of regulations as the centerpiece of economic measures to defuse Japan-U.S. economic friction and spur Japan's economy. The Hata Government mapped out a package of deregulatory measures for 279 areas in four sectors, including import promotion and the streamlining of the distribution system, and the Murayama Government, in a cabinet meeting, has decided for the package of deregulatory measures.

The five-year plan that will be implemented from 1995 aims to promote a sweeping relaxation of regulations on a planned basis in line with the package of deregulatory measures.

The Economic Reform Research Council (a private advisory body to then Prime Minister Hosokawa), which proposed drawing up the five-year plan, asked that the five-year plan be drawn up to replace the "economic regulations," including price regulations and market access regulations, with the principle of free business with some exceptions, and relax "social regulations" to the necessary minimum from the standpoint of building a safe and healthy society.

The ARPH is said to have been deluged with nearly 3,000 deregulation requests from about 150 organizations, including private economic organizations. We hope the ARPH will draw up a bold five-year plan based on the deregulatory requests.

The five-year plan is aimed at defusing immediate economic friction with Japan's trade partners and stimulating Japan's economy. The five-year plan is also the centerpiece of economic reforms aimed at revitalizing Japan's economy in the 21st century, improving the quality of life for the Japanese, and building Japan into an economic society that is free, full of vitality, and open to the rest of the world.

According to an estimate by Keidanren [the Federation of Economic Organizations of Japan], if the five-year plan is implemented, the result would increase Japan's gross domestic product (GDP) by 177 trillion yen and create 740,000 new jobs. As another merit of deregulation, the estimate cites improvement in productivity and an increase in real income.

Government ministries and agencies and industries have begun to move against the relaxation of regulations because of their vested interests which are protected by the regulations. If the ARPH draws up a five-year plan that is akin to a "mere combination of figures" after bowing to their resistance, the plan would be meaningless and unable to generate any economic effects. The ARPH should clearly put forth a package of effective and concrete deregulatory measures while presenting a timetable for putting the deregulatory measures into practice. The package of deregulatory measures should include a phased repeal of the Large-Scale Retail Store Law that regulates opening large-scale department stores, liberalizing the retailing of cigarettes, allowing gas stations to adopt self-service, relaxing regulations on new participation in the telecommunications business, and lowering the government-supported prices of farm produce.

Needless to say, as head of the ARPH, Prime Minister Murayama needs to display his leadership when the five-year plan is drawn up. At the same time, government ministries and agencies concerned with the relaxation of regulations are strongly asked to reform their thinking.

Some economic organizations appear to have excluded part of the deregulatory proposals that are related to specific industries after meeting resistance from them.

If Japanese industry is complacent about regulations and continues to take the stance of protecting their vested interests, it will be abandoned by consumers and unable to compete internationally. We hope that Japanese industry will work for the relaxation of regulations in a forward-looking manner.

There are cases in the past where some local autonomous governments have continued to keep their own regulations in force after regulations under the Large-Scale Retail Store Law were partially relaxed, making it difficult for people to open new retail stores.

The streamlining of regulatory systems by local autonomous governments in keeping with the five-year plan of the central government and social policies to deal with people out of work following the relaxation of regulations are indispensable for smoothly implementing the five-year plan.

#### **Officials 'Negative' on Administrative Reform**

*OW2911123694 Tokyo NIHON KEIZAI SHIMBUN in Japanese 26 Nov 94 Morning Edition p 3*

[FBIS Translated Text] The results of hearings conducted on 15 and 16 November by the coalition ruling parties' administrative reform project team on officials from the Ministry of International Trade and Industry [MITI] have been revealed. The results show how negative government offices are about abolishing quasi-government corporations. The main points of a series of questions and answers given in the hearings are noted below:

Ruling party dietmember: I think the Japan External Trade Organization (JETRO) should be put under joint control of MITI and the Ministry of Foreign Affairs [MOFA]. We could also think about merging JETRO into the Japan National Tourist Organization [JNTO].

Ranking MITI official: Overseas branch offices of JETRO are doing fine work. As for the possibility of merging it with JNTO, that would not be easy since JNTO comes under a different government office (the Ministry of Transport).

Ruling party member: If JETRO goes too far with its fine work, it may provide reason for our country being called Japan Incorporated.

MITI official: In foreign countries, representatives hold liaison meetings with other government personnel concerned. MOFA officials are key members of the meetings.

Ruling party member: MOFA officials have said that organizations such as the Institute of Developing Economies is unnecessary. Could the name not be changed to the World Economics Institute?

MITI official: The Institute of Developing Economies is now devoted to training specialists who would settle down in certain regions and do their studies there. It is

impossible for MOFA to train those kinds of specialists. As far as the name is concerned, most people are used to that name. Hence, we would like to retain it.

Ruling party member: Cannot the Japan Bicycle Racing Association and the Japan Auto Racing Association be merged into one organization?

MITI official: Auto racing is more like boat racing than bicycle racing. The auto racing association needs to train officials to become specialists as well. Baseball umpires cannot serve as soccer umpires, after all.

Ruling party member: Can we not go back to the starting point? If we were starting over, would we set up the Central Bank for Commercial and Industrial Cooperatives, the People's Finance Corporation, and the Small Business Finance Corporation all as separate institutions?

MITI official: The number of small and medium businesses in Japan now amounts to some 6.5 million. These three institutions mentioned are meant to serve the loan needs of businesses as well as possible. The People's Finance Corporation has provided loans to one-man businesses, while the Central Bank for Commercial and Industrial Cooperatives has provided loans to cooperatives. That is something ordinary commercial banks would not be able to do. Indeed their services have been beneficial.

Ruling party member: Why does the government hold a two-thirds share in the Electric Power Development Company?

MITI official: That is the minimum ratio of shares necessary to hold on to the special voting right under the Commercial Code. The mechanism is working effectively in controlling the ills of nine oligarchic power companies.

Ruling party member: A former MITI official has asked me: "We do not know what to do with Coal Mine Damage Corporation. Can you not step up the schedule for dissolving that organization?"

MITI official: On the areas where rationalization programs have been completed, we will announce their completion. We will also take actions so that no new programs emerge with respect to those areas.

#### **Government To End Corporate Tax Breaks in 1995**

*OW0212143094 Tokyo KYODO in English 0948 GMT 2 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 2 KYODO—The government, facing growing revenue shortfalls resulting from the recession, plans to overhaul the preferential tax system, including tax breaks for corporations, in fiscal 1995, officials said Friday [2 December].

The government officials said a plan prepared by the Ministries of Finance and Home Affairs calls for abolition of 21 national and local tax breaks for corporations.

The plan also proposed abolishing one half of 70 provisional preferential items which are due to expire by March 31, 1996, they said.

The list of items to be abolished includes tax breaks for the promotion of labor saving investment by corporations and reserve funds for electric power companies to cope with the drought, they said.

The ministries proposed a review of other items as well, the officials said.

A sweeping tax reform is a major pending issue for the three-party coalition government for fiscal 1995, which begins April 1.

The officials said that among local tax breaks proposed for abolition are tax exemptions or reduced tax rates on fixed assets owned by 22 special government affiliates, such as Japan Broadcasting Corp. (NHK) and Chambers of Commerce and Industry, and the enterprise tax on electric and gas utilities and railway operators.

The officials said a tax reform project team of the ruling parties will submit the plan to full-scale study, starting next week.

The ruling parties estimate the revenue increase resulting from the tax break overhaul at more than 100 billion yen, they said.

The officials said it still remains to be seen whether the proposal will be reflected in the outline of tax reforms to be prepared by the government by the middle of December because of strong resistance from government ministries and agencies concerned.

Tax breaks on such things as housing loans and interest on small deposits by senior citizens, which have an impact on daily life, will be retained, they said.

**1994 Tax Revenues Fall Short by 2 Trillion Yen**  
*QW2911132094 Tokyo KYODO in English 1246 GMT 29 Nov 94*

[FBIS Transcribed Text] Tokyo, Nov. 29 KYODO—Tax revenues in the government's general account will fall short by more than 2 trillion yen in fiscal 1994 compared with earlier estimates because of slow growth in corporate taxes resulting from the recession, Finance Ministry sources said Tuesday [29 November].

The sources estimated total tax income for the fiscal year ending March 31 at around 51 trillion yen.

It will be the fourth straight year for tax revenues to fall short of the year-before level, requiring the ministry to take a severe stance in compiling the fiscal 1995 budget.

The ministry had estimated tax revenues in the current fiscal year at 53,665 billion yen on the basis of the government's economic growth projection of 4.0 percent in nominal terms.

The sources said no dramatic upturn is likely in corporate tax revenues in view of slow economic recovery.

**Revenue Shortfall Forecast for Local Governments**  
*OW0112151994 Tokyo KYODO in English 1409 GMT 1 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 1 KYODO—Japan's local governments will post combined revenue shortfalls of 4 trillion yen or more in fiscal 1995, Home Affairs Ministry officials said Thursday [1 December].

The ministry has decided to curb to single digits the growth of local government projects, planned at 10 percent to 12 percent over four years as an economic stimulus measure, the officials said.

The main reasons behind the expected shortfalls are slumping local tax revenues, the prime source of revenue, plus curbed grants from the national government as an economic slump crimps national tax revenues as well, they said.

The shortfall would mark the second consecutive one for local governments and rival the giant 4.1 trillion shortfall of fiscal 1979, when the country was suffering from the effects of an oil shock.

The ministry will negotiate with the Finance Ministry to approve loans from future budgets for the local governments—further boosting the outstanding loan balance from its March estimate of some 103 trillion yen—and for additional local bond issues to cover the gap, the officials said.

But with finances tight, it also plans to rein in the local projects, they said.

**Networks Begin High-Definition TV Broadcasting**  
*OW0112080294 Tokyo NHK General Television Network in Japanese 1047 GMT 25 Nov 94*

[Announcer-read report; from "NHK News" program]

[FBIS Translated Text] Experimental high-definition TV broadcasting started today to entertain viewers with many-splendored programs. To mark the beginning of the broadcasting, a ceremony was held at a hotel in Akasaka, Tokyo with about 600 concerned people attending.

In an opening speech, NHK Chairman Mikio Kawaguchi said that today is a special day in the history of television broadcasting. He called for creating a new broadcasting era with the high-definition broadcasts. Posts and Telecommunications Minister Shun Oide, who attended as a guest, said he celebrates with all his heart the beginning

of the long-awaited experimental high-definition broadcasting. Following speeches, representatives of participants took out a barrelhead of Japanese sake to celebrate the start of the broadcasting. Prior to the ceremony, individuals and teams who contributed to the development of the high-definition broadcasting were commended. They include teams from NHK and European networks which broadcast the Winter Games in Lillehammer, Norway this February.

So far, high-definition TV programs have been aired on an experimental basis by the High-Vision Promotion Association. These programs were provided by NHK and commercial broadcasting companies. Today, NHK and commercial networks started broadcasting their own programs as a step toward full-fledged high-definition broadcasting. NHK and commercial broadcasters are each allotted five hours a day to air their high-vision programs on weekdays, except Wednesday, accounting for 10 hours of high-definition broadcasting a day. On Wednesdays, only NHK will broadcast for 10 hours. These programs will be aired on the satellite channel nine. NHK will air "Shukan High-Vision News," a program which covers various news items, from 1000 pm until 1045 pm on Fridays. It will also broadcast new educational programs, movies, and sports. High-vision broadcasting features clear images and a wider screen compared to conventional television broadcasting.

#### **Court Decision on Cosmetic Pricing Criticized**

952A0020A Tokyo EKONOMISUTO in Japanese 4 Oct 94 p 21

[Article by Mari Mishima, associate professor at The Bunka Women's College: "Fujiki Versus Shiseido: High Court Decision Denies Price Restraints, But Consumer Freedom of Choice Needed"]

[FBIS Translated Text] The Tokyo High Court's decision (on 14 September) was an unexpected total victory for Shiseido Co., Ltd. in a suit whereby the Fujiki main store (Daito ward, Tokyo), a cosmetics discount store, had requested validation of contract continuation and surrender of goods after Shiseido Tokyo Sales had cancelled its chain-store contracts and halted delivery of products for such reasons as that Fujiki does not do face-to-face sales. Strong doubts are felt about the way the court acted, with Fujiki main store president Ken Fujisawa saying, "There were only three actual court sessions, almost no factfinding was done and every witness was dismissed," even though the decision totally overturned the decision of the court of first instance.

As to the judgment on violating the antimonopoly law, the decision recognized no price restraint, on the premise of a conclusion the Fair Trade Commission reached in 1991; and suspicions that the contract dissolution may have had discount sales as its reason were rejected "for lack of concrete proof." Amidst a stream of regulation easing and crumbling prices, how will the Fair Trade Commission deal with this? One could say the

Kawachiya case (Edogawa ward, Tokyo), on which a Fair Trade Commission's decision is expected during this year, has come to have greater importance for antimonopoly policy.

I wish to raise the following two questions about the propriety of face-to-face sales from the viewpoint of ensuring consumer interests.

First, with consumer behavior now diversifying, seeking diversification in prices and in ways of selling has a natural logic. With cosmetics information from magazines and the like in hand, the consumer is steadily on the increase who avoids time-consuming and laborious demonstration sales corners and opts for self-service corners. As clarified by the ruling of the court of first instance, the routinizing of mail-order sales by department stores in Tokyo such as The Ginza (managed directly by Shiseido) and the multiplication of self-service corners is proof of that. In such an era and under such conditions, one cannot but wonder about the higher court's ruling which Fujiki had dared to seek on face-to-face sales.

Second is Shiseido's self-contradictions. Is not its coercing of face-to-face sales the same as claiming that 1) consumers have trusted our brand so far, but from now on we cannot say Shiseido products are safe unless they are explained to you, and 2) the low-cost self-service product is safe and the expensive product of demonstration sales is unsafe?

To assure freedom of choice for the consumer let us call for the following two points. First is easing regulations. Japanese cosmetics market has a unique commercial structure which, under such laws as the Pharmaceutical Law, shuts out parallel imported goods by requiring certificates listing ingredients and bars discounting through resale systems and chain store contracts. An urgent reconsideration of this point is indispensable.

#### **Attitude of Major Supermarkets Is Key to Solution**

Second is a downstream shift of pricing initiative. Breaking down prices of cosmetics is no matter to be left to one medium- to-small firm like Fujiki. I believe that whether the cosmetics industry's structure changes greatly will be determined by whether such big firms as major supermarkets tackle it with "the tradesman's spirit," just as they did with beer. How the major supermarkets and others go about setting prices of cosmetics products from now on will be watched.

#### **North Korea**

#### **U.S. Military Control Transfer to South Noted**

SK0212045794 Pyongyang KCNA in English 0446 GMT 2 Dec 94

["'Peacetime Operational Control' Nothing But Rind"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 2 (KCNA)—A spokesman for the South Korean puppet Defence Ministry recently reeled off a string of hokum that the puppet military would "take over" on December 1 the "peacetime operational control" which had belonged to the South Korea-U.S. "Combined Forces Command" and that it enables South Korea to "exercise sovereignty", according to a report.

The puppets loudly quibbled as if a great change had taken place in the military operational control, but it brings into bolder relief the pitiful position of them who have no prerogative of the supreme command over the Army.

Although the United States, the master, handed the "peacetime operational control" to the puppets, the U.S. Forces command present in South Korea still has the power of establishing wartime operational plan, the power of supervising South Korea-U.S. combined training, the combined management function of intelligence for providing early warnings and others.

Notably, it was reported that the control of military operation over the puppet army would be handed to the U.S. Forces command in South Korea in "case of emergency" on the Korean peninsula. Therefore, the "transfer of peacetime operational control" means that the United States keeps its grip on the substance, leaving only the rind for the South Korean puppets.

The fact proves that the drama of "redemption of peacetime operational control" is nothing but a camouflage to conceal even a little the poor figure of the colonial puppets who are in the palm of the hand of the U.S. military.

It is a big miscalculation if the Kim Yong-sam group thinks that it can conceal its dependent color of the colonial puppet with such a drama.

#### **ROK Assumption of Peacetime Control Criticized**

*SK0212073094 Pyongyang Korean Central Broadcasting Network in Korean 1225 GMT 1 Dec 94*

[Commentary by Kim Ho-sam: "Is the Phrase Exercise of Sovereignty Appropriate?"]

[FBIS Translated Text] The South Korean puppets who have lost their independence and made committing toadyist, nation-selling acts their job, are continuously committing mean, subservient acts.

According to broadcast reports from Seoul, peacetime operational control over the South Korea-U.S. Combined Forces Command was handed over to the Joint Chiefs of Staff of the puppet South Korean Armed Forces on 1 December. A spokesman for the puppet South Korean Defense Ministry and a spokesman for the South Korea-U.S. Combined Forces Command announced this at their so-called joint news conference.

In connection with this, the South Korean puppets praise themselves as though they had bagged a star in the sky. They propagandize that this is a result of the exercising of their right to sovereignty and that a basis has been provided for self-reliant, national defense.

A spokesman for the puppet South Korean Defense Ministry presumptuously appeared at a news conference shoulder to shoulder with a spokesman for the South Korea-U.S. Combined Forces Command and indulged in bravado, talking about the exercise of sovereignty and the basis for self-reliant defense. However, the transfer of such peacetime operational control to South Korea does not render it into a sovereign state overnight.

The remarks by the spokesman for the puppet Defense Ministry at the news conference are a mere deceptive trick to mislead public opinion at home and abroad. While the assumption of peacetime operational control by the South Korean puppets allows them to carry out guard duties and patrol duties in peacetime and unilaterally engage in military actions, such as the relocation of military units, it will in no way change the unseemly status of their Armed Forces, as a colonial mercenary army.

As is well known, peacetime operations are always conducted with wartime operations in mind, and exists for the sake of wartime operations. Nevertheless, the South Korean puppets have assumed peacetime operational control, while wartime operational control is still in the hands of the South Korea-U.S. [Combined Forces] Command. Can we then say that they exercise the prerogative of supreme command over their Armed Forces? No, we cannot.

An army without wartime operational control, no matter what country it belongs to, cannot free itself from the fate of being a colonial mercenary army.

Moreover, it has been revealed that the transfer of peacetime operational control to the Joint Chiefs of Staff of the puppet South Korean Armed Forces is a ceremonial transfer unrelated to any essential aspects of military action. The first radio station of South Korea, [Korea Broadcasting System-1 Radio Network] reports: Even though the U.S. forces in South Korea transferred peacetime operational control to the Joint Chiefs of Staff of the puppet South Korean Armed Forces, the South Korea-U.S. Combined Forces Command still maps out wartime operational plans, supervises joint exercises between the puppet South Korean Armed Forces and the U.S. Forces, and conducts joint intelligence management to provide early warning.

While the foreign forces have the rights to joint exercises and military intelligence management, the most important part of military action, the puppet South Korean Armed Forces have the right to guard duties or relocation of military units with their peacetime operational control. Needless to say, such operational control is nominal control, like an egg without yolk.

Even though the South Korean puppets actually committed an act of yielding to the United States, they describe this as the exercise of their sovereignty. They are truly fellows who are crazy about toadyism and treachery. No regime in the world besides the puppet Kim Yong-sam regime sells its national dignity and interests to outside forces.

At a time when removing foreign military bases and foreign forces is a worldwide trend, the Kim Yong-sam ring chose to hand over wartime operational control of the Seventh Fleet of the U.S. Pacific Command to the South Korea-U.S. Combined Forces Command. In this way, the fool [nom] has virtually ensured the reinforcement of the U.S. Forces occupying South Korea.

Let us look at the Wartime Host Nations Support agreement signed between South Korea and the United States. This agreement stipulates that the U.S. Forces can mobilize all human and material resources of South Korea to pursue their own purposes. Under this agreement, the Kim Yong-sam ring has handed over South Korean port facilities to the United States and allowed the Seventh U.S. Air Force to use most of the U.S. Air Force facilities, which had been scheduled to be transferred to the Kim Yong-sam ring.

Let us look at another example. As you know, each country where a U.S. military base is stationed, collects rent from the United States for the base. Only the puppet South Korean clique does the opposite: Instead of collecting rents for the bases, it pays billions of dollars a year to its master for the upkeep of those foreign forces.

Those fellows who commit such nonsensical acts played the game of assuming peacetime operational control and raved that they were exercising their sovereignty. This is truly preposterous.

No matter how hard the Kim Yong-sam ring may try to conceal the unseemly status of South Korea, a colony, and put the face of a sovereign state by using the mass media, it will never work. No disguise or nice talk will entitle a country to exercise its sovereignty or obtain the capability for self-reliant, national defense.

#### **Unification Under Democratic System Denounced**

*SK0212102894 Pyongyang KCNA in English 1020  
GMT 2 Dec 94*

["'Unification Under the Liberal Democratic System' Infeasible"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 2 (KCNA)—The doctrine of "unification under the liberal democratic system" brought forward by the traitor Kim Yong-sam some time ago is a rehashed version of the shipwrecked "doctrine of unification by prevailing over Communism," which can never be tolerated, declares NODONG SINMUN today in an article titled "Foolish Dream Cannot Be Realized".

The author of the article says:

Reunification by one system is unrealistic since there actually exist different ideas and systems in the North and the South of Korea and neither side would surrender its own.

The Kim Yong-sam group has brought forward again the predecessors' worn-out doctrine of "unification of the systems," refusing the North's fair and aboveboard proposal for reunification through confederation. This means that they intend to prolong the division of the country and do not want reunification after all.

It is a reckless and ridiculous act for such a wretch as Kim Yong-sam to dare to provoke our-style socialism, which reminds us of a puppy knowing no fear of a tiger.

It had already been borne out by history that reunification by means of "destroying" Communism is impossible in Korea.

#### **'All-People Council' on 12 Dec Incident Formed**

*SK0112101694 Pyongyang KCNA in English 1001  
GMT 1 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 1 (KCNA)—Representatives of the Catholic Priests' Council for Justice and other South Korean dissident organizations and political parties formed the All-People Council for Measures Concerning the December 12 Incident on November 28, a Seoul-based radio reported.

It declared that it will struggle indefinitely until those involved in the "December 12 incident" in 1979 were indicted and demanded their resignation from public offices and the punishment of those prosecutors who postponed the indictment.

#### **Amnesty International Urges An Chae-ku's Release**

*SK0112062094 Pyongyang KCNA in English 0407  
GMT 1 Dec 94*

[FBIS Transcribed Text] Pyongyang, November 30 (KCNA)—The Amnesty International urged the immediate release of An Chae-ku for whom capital punishment was demanded after he was arrested on charges of violating the "National Security Law" in South Korea in June, according to a report.

Noting that An Chae-ku remained handcuffed in jail for 24 hours after the puppet prosecution demanded a death penalty against him, the Amnesty International denounced this as an inhumane act.

It pointed out that the health of An Chae-ku took a turn for the worse from harsh physical tortures such as keeping him awake after he was arrested by the "Agency for National Security Planning", and urged his immediate and unconditional release.

**'Struggle', Rally of ROK Farmers Supported**

SK0112102494 *Pyongyang KCNA in English 1018*  
GMT 1 Dec 94

[**"MINJU CHOSON Supports S. Korean Farmers' Struggle"**—KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 1 (KCNA)—MINJU CHOSON today estimates the "National Rally of Farmers" held in Seoul on November 29 as an eruption of the pent-up wrath and resentment of the South Korean farmers against the traitor Kim Yong-sam and a righteous struggle for the right to existence.

The rally attended by 15,000 farmers and students opposed "ratification of the Uruguay Round accord" and demanded the repeal of the "government" policy of freezing the purchase price of rice, denouncing the puppets' reactionary agricultural policy.

The news analyst says:

When he took office, Kim Yong-sam "committed" himself to defend the rice market, staking his "presidency." But he offered the rice market as a bribe to outside forces, begging for a "cooperation system" and "sanctions against the North" to do harm to fellow countrymen.

Facts show that unless the Kim Yong-sam group is removed, the vital rights of the South Korean farmers will be trampled underfoot more ruthlessly. Ouster of the group is the only way for the South Korean farmers to restore their right to existence.

**Japan Criticized for Atomic Energy White Paper**

SK0212050894 *Pyongyang KCNA in English 0453*  
GMT 2 Dec 94

[**"Japan's 'Peace' Advertisement Mocking World People"**—KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 2 (KCNA)—The Japanese authorities' pompous advertisement about their use of atomic energy only for "peaceful purposes" is a far cry to the reality of Japan, and the hypocritic "peace" ballad cannot conceal Japan's ambition for nuclear armament, declares NODONG SINMUN today.

The news analyst says:

The Japanese authorities in the 1994 "White Paper on Atomic Energy" published a drastically understated inventory of plutonium and let loose a string of tirade about the "peaceful use" of atomic energy. This is a crafty ruse to mislead public opinion at home and abroad with the smokescreen of "peace" and hasten nuclear armament behind it.

In actuality, Japan's nuclear armament has reached the danger line. According to data, Japan is extensively

increasing the production of plutonium with the objective of stockpiling 100 tons of plutonium by 2010. This exceeds by far the amount needed for the peaceful use of atomic energy. Japan's design to become a plutonium power is directly linked with its nuclear armament.

In the "White Paper" the Japanese authorities groundlessly took issue with the nuclear activities of the DPRK. This is a despicable attempt to justify its nuclear armament. The Japanese reactionaries are not in a position to admonish others over the nuclear issue. They had better mind their own business.

If Japan truly wants denuclearization and peace, it must give up the plan of stockpiling a large amount of plutonium and stop nuclear armament. Japan's "peace" advertisement, not accompanied by practice, is a mockery of the peoples in Asia and the world.

A MINJU CHOSON analyst stresses that with no crafty ruse can the Japanese reactionaries cheat the world people and conceal their nuclear armament.

**Normalization of Ties With North Urged in Japan**

SK0112101894 *Pyongyang KCNA in English 1010*  
GMT 1 Dec 94

[FBIS Transcribed Text] Tokyo, November 29 [date as received] (KNS-KCNA)—Representatives of the Aichi Prefectural People's Council for the Promotion of the Normalization of Diplomatic Relations Between Japan and the Democratic People's Republic of Korea including its Secretary General Mutsuro Kimura visited the Japanese Foreign Ministry on November 24 and called for the normalization of diplomatic relations between the two countries.

They met with Yukio Takeuchi, deputy director-general of the Asian Affairs Bureau of the Foreign Ministry, and told him that now when the agreed framework was adopted between the DPRK and the United States of America is the high time which should not be missed for the resumption of talks for the normalization of the Japan-DPRK diplomatic relations. They urged the Foreign Ministry to render a positive cooperation to this end and handed a letter of request to him.

The letter said that the talks for the normalization of the Japan-DPRK diplomatic relations must be resumed at an early date on the basis of the main points of the three-party joint declaration and that at the talks, Japan must take a sincere attitude towards the issue of making an apology and compensation for its 41-year-long colonial policy and for the losses it has inflicted on the Korean people for nearly 50 years since the end of World War II.

**Japanese Lawmaker Brings Gift for Kim Chong-il**

SK0212075494 *Pyongyang KCNA in English 0430*  
GMT 2 Dec 94

[FBIS Transcribed Text] Pyongyang, December 1 (KCNA)—Comrade Kim Chong-il, the great leader of

our party and people, received a gift from Kenji Inoki, leader of the Sports Peace Party of Japan, member of the House of Councillors and the world's king of professional wrestling.

Katsushi Nagashima, head of the visiting delegation of the New Japan Professional Wrestling Co., Ltd. conveyed the gift to an official concerned.

#### **Group Denounces Asian-Pacific Union Resolution**

*SK0212050194 Pyongyang KCNA in English 0429  
GMT 2 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 1 (KCNA)—We strongly demand that the Asian-Pacific Parliamentarians' Union withdraw and declare null and void the strange "resolution" which it adopted on the basis of false materials supplied by the South Korean puppet authorities, playing into their hands for their sinister political purpose, and apologize for it, declares the spokesman for the Human Rights Study Society in a statement today.

Recalling that the Asian-Pacific Parliamentarians' Union, at its 29th conference which opened in Bangkok on November 18, adopted the so-called "resolution demanding the improvement of human rights situation in North Korea and early repatriation of those abducted by it" submitted by the South Korean puppet parliamentary delegation, the spokesman says:

The "resolution" fully transcribed the false data distributed by the South Korean puppets, alleging that 49 South Koreans abducted to the North and Koreans from Japan are kept in the "Sunghori concentration camp" of North Korea, quoting a recent report of "Amnesty International."

This was an intentional and premeditated intrigue of the Asian-Pacific Parliamentarians' Union to maliciously slander and harm our Republic where genuine human rights and democracy are ensured, in conspiracy with the South Korean puppets.

As we have already made clear, there is no "concentration camp" in Sunghori. Standing there in rows are only neat houses of workers and modern rural houses, the nests of agricultural working people.

There are neither "people abducted to the North" nor "detainees" in our country, as the puppets allege. There are only blessed people who are enjoying a worthy life to their heart's content, free from worries about food, clothing and housing, under the socialist system of our style centered on the popular masses, under which people are held dearest in the world, and defectors from the South and returnees from Japan who are leading a happy life in the benevolent bosom of our Republic.

Those who came over to the North chose that way of their own accord, unable to live any longer in South Korea where democracy and human rights are totally violated.

This has been made clear more than once by Ko Sangmun who is referred to in "the resolution" as one "abducted by the North" and other defectors who are now living in our Republic.

Nevertheless, "the resolution" slandering the DPRK was adopted at the 29th conference of the Asian-Pacific Parliamentarians' union on the basis of false materials provided by the South Korean puppets. This shows that the union has been reduced to a political plot-breeding organization of such fellows as the Kim Yong-sam group engaged in anti-North plots.

The Human Rights Study Society bitterly condemns the unjustifiable "resolution" adopted at the 29th conference of the union at the instigation of the South Korean rulers, considering it to be an intolerable challenge to the Korean people and vicious insult to the human rights of those who came over to the North.

It is none other than South Korea that has turned into the worst graveyard of human rights in the world. Though the Kim Yong-sam group is loudly advertising "civilian administration", the political freedom and democratic rights of the people are ruthlessly violated in South Korea by "the National Security Law" and "the Agency for National Security Planning," offsprings of the period of the military fascist dictatorship and, worse still, even working people demanding vital rights are thrown behind bars. The Asian-Pacific Parliamentarians' Union must know of this.

Then, how can it adopt "the resolution" concerning "the human rights problem" of the North, while turning blind eyes to the harsh violation of human rights in South Korea?

With nothing can it defend its unreasonable act.

We express the hope that the world progressive people who love justice and truth will lift up voices protesting against the moves of the dishonest forces to slander and do harm to our dignified Republic.

#### **Vice President Meets League of Red Cross Head**

*SK0212043894 Pyongyang KCNA in English 0415  
GMT 2 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 1 (KCNA)—Vice-president Yi Chong-ok met and had a friendly conversation with Mario Enrique Villarroel Lander [name as received], president of the League of Red Cross and Red Crescent Societies, and his party, on a visit to Korea, at the Mansudae Assembly Hall today.

Present there was Yi Song-ho, acting chairman of the Central Committee of the Red Cross Society of the Democratic People's Republic of Korea.

#### **Party, Academic Delegations Depart for China**

*SK0212043794 Pyongyang KCNA in English 0413  
GMT 2 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 1 (KCNA)—Hyon Chun-kuk, director of the International

Department of the Central Committee of the Central Committee of the Workers' Party of Korea, and his entourage and a delegation of the Academy of Social Sciences headed by its first Vice-president Kim Chol-sik, left here today to visit China.

#### **O Chin-u Sends Greetings to Cuban Minister**

*SK0212044094 Pyongyang KCNA in English 0412  
GMT 2 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 1 (KCNA)—Marshal of the Korean People's Army O Chin-u, minister of people's Armed Forces, sent a message of greetings to Raul Castro Ruz, minister of Revolutionary Armed Forces of Cuba, on the 38th anniversary of the landing of the Granma and day of the Revolutionary Armed Forces of Cuba.

Expressing the belief that the traditional excellent friendly and cooperative relations between the armies of the two countries will be further consolidated and developed in the future, he wished the latter greater achievements in his responsible work for strengthening the defence capabilities of the country.

#### **WPK Delegation Attends Conference in Cuba**

*SK0112123594 Pyongyang Korean Central  
Broadcasting Network in Korean 1300 GMT 28 Nov 94*

[FBIS Translated Text] The first world conference for solidarity with Cuba was held from 21 to 25 November in Havana, the capital of Cuba.

About 3,000 representatives from some 100 countries and regional and international organizations—including the members of the Workers' Party of Korea [WPK] delegation led by Hwang Chang-yop, secretary of the WPK Central Committee—participated in the conference. Cuba's leading cadres—including Comrade Fidel Castro, president of the Council of State of the Republic of Cuba and president of the Council of Ministers—participated in the closing conference.

A final declaration was adopted at the conference; then a code of conduct was adopted.

#### **Paper Congratulates Romania on National Day**

*SK0112102094 Pyongyang KCNA in English 1015  
GMT 1 Dec 94*

["MINJU CHOSON Marks National Day of Romania"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 1 (KCNA)—The Korean people extend congratulations and greetings to the friendly Romanian people on their national day, says MINJU CHOSON in a by-lined article today.

Pointing to the efforts of the Romanian people to ensure national harmony and develop the national economy, the article says:

Externally, Romania is developing friendly relations with many countries of the world on the principle of equality, mutual respect and non-interference in other's internal affairs.

Korea and Romania have maintained the bonds of friendship.

The Korean people believe that the friendly relations forged between the peoples of the two countries will continue to develop in the future, too, and wish the Romanian people greater successes in their endeavours for the prosperity of the country.

#### **First Ukraine-DPRK Association Meeting Held**

*SK0112101994 Pyongyang KCNA in English 1012  
GMT 1 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 1 (KCNA)—An inaugural meeting of the Ukraine-Democratic People's Republic of Korea Association was held in the Ukraine on November 22.

It was attended by leading officials of different academies and universities, academicians, professors, doctors, men of the press, figures of academic circles and people of other social strata.

The DPRK ambassador to the Ukraine and embassy officials were present on invitation.

The participants observed a moment's silence in memory of the great leader President Kim Il-song.

Speeches were made at the meeting before the inauguration of the association was proclaimed and its leadership body elected.

Prof. D.B. Kolovko, president of the State Academy of Light Industry, was elected president of the association.

A letter to the dear leader Comrade Kim Chong-il was adopted at the meeting.

#### **New Ivorian Ambassador Meets With Yi Chong-ok**

*SK0212075094 Pyongyang KCNA in English 0416  
GMT 2 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 1 (KCNA)—Vice-President Yi Chong-ok received credentials from Anoh Koffi Patrice, newly appointed ambassador E.P. [extraordinary and plenipotentiary] of Cote d'Ivoire to Korea, at the Mansudae Assembly Hall today.

After receiving the credentials, the vice-president had a talk with the ambassador.

#### **Presents Gift for Kim Chong-il**

*SK0212075294 Pyongyang KCNA in English 0417  
GMT 2 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 1 (KCNA)—Comrade Kim Chong-il, the great leader of

our party and people, was presented with a gift by Henri Konan Bedie, President of Cote d'Ivoire.

The new ambassador of Cote d'Ivoire to Korea, Anoh Koffi Patrice, conveyed the gift to Vice-Premier and Foreign Minister Kim Yong-nam today.

### **Kim Chong-il Work Details Victory of Socialism**

SK0212103594 Pyongyang KCNA in English 1027  
GMT 2 Dec 94

[“Comrade Kim Chong-il Indicates Basic Way for Victory of Socialism, NODONG SINMUN”—KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 2 (KCNA)—The dear leader Comrade Kim Chong-il in his famous work “Socialism Is a Science” stressed the need to strengthen the motive force of the revolution and enhance its role.

NODONG SINMUN today describes this as a great idea which makes it possible to promote the cause of socialism victoriously under any circumstance.

In the work, Comrade Kim Chong-il said: “Whether in a developed capitalist country or an underdeveloped one, socialism can emerge victorious if the motive force of the revolution is strengthened and its role enhanced through efficient work.”

In a by-lined article titled “Basic Way for the Victory of Socialism Is To Strengthen Motive Force of Revolution and Enhance Its Role” the paper says Comrade Kim Chong-il's idea is an absolutely scientific idea, the validity of which has been proved, and specifies its theoretical and practical significance.

His idea is valid in that it correctly reflects the intrinsic need of the development of socialist society and the lawful demand of socialist construction.

In socialist society, the transformation of man, his ideological remoulding, is a more important and preferential task than that of creating the material and economic conditions of socialism. Only when precedence is given to the transformation of man, is it possible to strengthen the motive force of the revolution and increase its role, and thus build socialism successfully.

The chuche-orientated theory of socialism clarifies that if the building of socialism is to succeed, a vigorous struggle must be waged to occupy the two fortresses of socialism and Communism, the ideological and material fortresses, and that here a definite precedence must be given to the struggle to capture the ideological fortress.

The practical experience of our revolution has clearly proved the validity and truthfulness of the chuche-orientated theory of socialism on strengthening the motive force of the revolution and enhancing its role.

The indication of the correct road to victory in the cause of socialism inspires the masses of the people to vigorously fight for socialism with new confidence and courage and deals a hard blow at the imperialists and reactionaries.

### **Daily Urges Upholding of ‘Right Leader’**

SK0112132394 Pyongyang NODONG SINMUN in Korean 25 Oct 94 p 2

[Article by Pak Yong-chol: “Upholding the Great Leader Is a Decisive Guarantee for Inheriting and Consummating the Socialist Cause”]

[FBIS Translated Text] Overcoming various trials and difficulties, the socialist cause is being constantly advanced in our country today. This is entirely because we uphold the great leader [yongdoja] at the vanguard of the revolution by brilliantly resolving the issue of inheriting leadership a long time ago.

Upholding the great leader [yongdoja] becomes a decisive guarantee for brilliantly inheriting and endlessly consummating the socialist cause.

The dear leader Comrade Kim Chong-il has indicated: “Leadership for the socialist cause can be outstandingly guaranteed only if it makes the prominent leader [chidoja] stand at the center of leadership.”

We cannot think about the pioneer and the advance of the socialist cause, not to speak of its inheritance and consummation, apart from the leader [yongdoja] of the revolution. As the leader [suryong] plays a decisive role in the struggle to pioneer the socialist cause, the leader [yongdoja] plays a decisive role in the struggle to inherit and consummate it. Therefore, we should uphold the leader [yongdoja], who is loyal to the leader [suryong], to endlessly consummate the socialist cause. If leadership for the revolution and construction is not properly inherited in the period in which the generation of the revolution changes, the socialist cause will go through many twists and turns, and will fail. The collapse of socialism in some countries is due to the failure to uphold the right leader [olbarun yongdoja].

Above all, upholding the great leader [yongdoja] is a basic guarantee for constantly consolidating and developing the unity of the revolutionary ranks prepared by the leader [suryong], who initially pioneered the road to the revolution.

The popular masses' cohesion and unity are the most basic work in the world, as well as the life of socialism. Looking back upon history, the popular masses have pioneered their destiny [unmyong] which they regard as their fate [sungmyong], in a revolutionary manner since the time they were united as one. For the popular masses, who were forced to become slave with their naked fists throughout several thousands of years, unity is the only power which can break the iron chain of exploitation and oppression. The cohesion and unity of the popular

masses are the powerful weapon to truly achieve mankind's independence, as well as to become a source of boundless power in building, keeping, and consummating socialism.

However, the popular masses cannot achieve cohesion and unity by themselves. The popular masses, who are organizationally and ideologically educated and tempered, are the only ones who can achieve the powerful cohesion and unity and inherit their tradition. The cohesion and unity of the popular masses can be possible only if their demands and might are united as one. It is not easy to make the interests of some people become identical, as well as to have their might unite as one. It is even more difficult to make the demands and might of the masses strata become cohesive and united as one. Only the leader [suryong] can unite the popular masses' independent demands as one and strengthen the might of their cohesion and unity, by firmly inspiring their creative ability. Finally, the cohesion and unity of the popular masses can be achieved, developed, and consolidated around the leader [suryong].

We should uphold the leader [yongdoja], who will inherit the cause of the leader [suryong], to firmly inherit the cohesion and unity of the popular masses, a life of socialism.

Historic lessons in the socialist construction show that if we fail to uphold the right leader [yongdoja], chance elements enter the governing body [sunoebu] of the revolution; the party becomes degenerate; and the revolutionary ranks will be broken up. Also, it shows that as a result, even though it took many years to build, socialism can collapse in a day.

The inheritance of unity means the inheritance of the center of the leadership, as well as the inheritance of the spirit of unity to uphold the leader [yongdoja]. Only when the center of unity is firm and when our people's ideological spirit to uphold the leader [yongdoja] comes through, can the unity prepared by the leader [suryong] be constantly consolidated and developed without the slightest faltering under any circumstances. The party's organizational and ideological basis can be more strongly consolidated by the leader [yongdoja] of the revolution. Even one iota against it can be thoroughly overcome. In addition, the purity of unity can be thoroughly guaranteed for generation after generation.

Today, our single-hearted unity prepared by the great leader Comrade Kim Il-song is more strongly consolidated in our country with each passing day. This is because we uphold the great leader [yongdoja]. Our country's reality proves that if we uphold the great leader [yongdoja] at the vanguard of the party and the revolution, we can resolutely safeguard and adhere to the cohesion and unity created by the leader [suryong], as well as constantly consolidate and develop the socialist system.

Upholding the great leader [yongdoja] becomes a decisive factor in endlessly consummating the socialist cause by brilliantly achieving the leader's [suryong] idea and leadership.

The socialist cause is the cause of the popular masses themselves. This is the cause that should be achieved by the popular masses as masters.

Socialism that the popular masses do not support, and which fails to display its superiority and vitality, can lose its vitality.

The success or failure of the socialist cause depends on the struggle of the popular masses. The popular masses are the main force of the revolution. Therefore, only they can successfully carry out the revolution and construction in a responsible manner. This does not indicate, however, that they can successfully build and consummate socialism at any time.

It is the leader [suryong] who makes the popular masses become the main force of the powerful socialism to independently and creatively pioneer their own destiny. The idea and leadership of the leader [suryong] is the basic factor that can elucidate the future road of the popular masses, and that can lead them to become ever-victories in the revolutionary struggle and construction. In order to make the leader's [suryong] idea and intent a brilliant success for generation after generation, we should uphold the leader [yongdoja] who is loyal to the leader [suryong]. The struggle for socialism has developed in various countries throughout the world in a protracted period of history, but the inheritance of the leadership of the leader [suryong] has not been guaranteed all the time. The leadership for the socialist cause can be outstandingly guaranteed only if we make the prominent leader [chidoja], who is loyal to the cause of the leader [suryong] who initially pioneered the road to the revolution, stand at its center.

There is nothing greater than receiving the leadership of the leader [yongdoja], who is absolutely trusted by the popular masses because of his immortal achievements based on his brilliant wisdom, outstanding leadership ability, and lofty virtue. The leader [yongdoja], who is trusted by the people and supported by them, always goes down to the popular masses and solves all problems with the might of the popular masses, reflecting their intent. The prominent leader who departs from the people cannot exist. Because they uphold the leader [yongdoja], who has the ethos of people-oriented leadership, the popular masses can successfully solve all problems in the socialist construction, more firmly uniting around the leader [yongdoja]. By so doing, our people, who uphold the great leader [yongdoja], can take pride in being the most dignified and vigorous people who endlessly consummate the socialist cause by thoroughly embodying the idea and intent of the leader [suryong].

For the people, it is the highest happiness to uphold the great leader [yongdoja], while it is most unfortunate to

wrongly meet the leader [chidoja]. If people who refuse the idea and leadership of the leader [suryong]—who pioneered the road of the revolution—and who ignore the intent of the popular masses take over the seat of power, the misfortune and pain the people will suffer will be extreme. The people who uphold the right leader can victoriously advance the socialist cause along the road pioneered by the leader [suryong]; if not, they will experience bitter setbacks and twists and turns, and will become the slaves of capital once again.

Today, socialism is ever-victories in our country without the slightest faltering. This is because we are wisely led by the dear comrade leader.

Our people are the most dignified and glorious ones who inherit and consummate the socialist cause, upholding Comrade Kim Chong-il, the great leader [yongdoja] of our party and people.

A long time ago, we brilliantly resolved the issue of inheriting the leadership in our country by upholding the dear leader Comrade Kim Chong-il at the vanguard of the party, state, and Army.

The dear leader Comrade Kim Chong-il is our party's and our people's great leader [yongdoja], who brilliantly inherited and consummated the leader's [suryong] cause with his far-sighted and extraordinary wisdom, refined leadership ability, and lofty virtue. He is also an outstanding ideologist and theorist, politician, military strategist, and ever-victorious and iron-willed brilliant commander.

Because the dear comrade leader has led us, the socialist cause has advanced in our country constantly and victoriously, overcoming various trials and difficulties. Because of his wise leadership, our own style of socialism has advanced along the single road of *chuche* without the slightest faltering, even during the tragic events when socialism collapsed in other countries. Also, because our people have upheld the dear comrade leader, who turns misfortune into blessings and who changes unfavorable conditions into favorable ones, they will be able to smash the challenges of imperialists who viciously plot to isolate and terminate [korip malsal] our republic, as well as firmly adhere to the socialist banner. In a protracted and ardent revolutionary practice, our people have cherished deep in their hearts a faith that if the dear comrade leader exists, they can go through trials and difficulties under any circumstances, and can defeat any powerful enemy. For our party and people, properly upholding the dear comrade leader is the most sacred struggle to adhere to the popular mass-centered socialism of our own style and to achieve the *chuche* revolutionary cause.

The decisive guarantee for inheriting and consummating the socialist cause of our own style lies in properly upholding the leadership of the dear leader Comrade Kim Chong-il.

People throughout the country are now vigorously fighting to change the sorrow of losing the great leader

[suryong] into strength and courage, vowing their loyalty to the dear comrade leader. Today, progressive people throughout the world anticipate that our people will be able to endlessly achieve our own style of socialism, firmly united around the dear comrade leader.

According to the great leader's intent during his lifetime, all party members and working people should brilliantly inherit and consummate the *chuche* revolutionary cause by upholding the dear comrade leader, being endlessly loyal to him.

### Implementing of Agriculture-First Policy Urged

SK0112143794 Pyongyang NODONG SINMUN in Korean 2 Nov 94 p 2

[Article by NODONG SINMUN correspondent Kim Chong-il]

[FBIS Translated Text] Today, lying before our party and people is the important task of carrying out our party's revolutionary economic strategy by thoroughly implementing the agriculture-first policy in hearty response to the great leader's behests.

The great leader Comrade Kim Il-song has taught: "The next three years is set as a period of adjustment in socialist economic construction as decided at the 21st Plenary Session of the Sixth Party Central Committee. During this period, we must implement to the letter the agriculture-first, light industry-first, and trade-first policy."

Pushing ahead with the agriculture-first policy implies that agriculture is valued the most in socialist construction, and that state-level efforts are directed to smoothly settling agricultural problems. In other words, all branches of agricultural production, including grain, should be developed by increasing state investments to the agricultural sector.

Our party's agriculture-first policy is a revolutionary policy firmly equipped with material preparation so we can live with our own strength; it defends, adheres to, and glorifies the popular masses-centered socialism of our own style.

Our party and people have solidly built the country's foundation for an independent economy by thoroughly implementing the party's lines for the construction of an independent national economy even under a difficult atmosphere. Today, our people are vigorously advancing toward the road of socialism without vacillation. This graphically illustrates the might of our independent economy.

Living by ourselves while defending the glory and pride of socialism under the uplifted banner of *chuche* is an unmovable stance of our party. Today, obstacles lie before us as we advance toward socialism, and fundamental changes have taken place in the country's

external economic relations in the wake of the disappearance of a socialist market. In order to defend to the end and complete the socialist cause under such conditions, we must be firmly equipped with material preparations so we can live by ourselves. One of the important questions here is increasing grain production by developing agriculture.

We have the single-hearted unity of rallying around the party and the leader [suryong], an independent national economy, and the invincible revolutionary armed forces. If we greatly increase agricultural production, including grain, we can defend, adhere to, and add luster to our own style of socialism no matter how viciously the reactionaries and imperialists maneuver to stifle our republic.

The party's agriculture-first policy is a just policy reflecting the actual condition of our country's economic development.

The socialist independent economy is an economy whose goal is promoting the people's welfare, and demands that every sector be harmoniously developed in conformity with socialist economic rules.

Proceeding from this, our party has given definite precedence to the development of heavy industry, and simultaneously set forth the basic lines for economic construction in developing light industry and agriculture. While developing heavy industry, great efforts have been directed to develop light industry and agriculture. Today, the foundation of heavy industry prepared in our country is solid. Increasing state investment to sectors that directly promote the people's standard of living, including agriculture, and vigorously pushing ahead with the development of these sectors is important in achieving a harmonious development in the overall national economy, in effectively managing the country's economic life, and in brilliantly displaying the already-prepared economic foundation.

The development of the sectors that serve the people, including agriculture, should be further expedited to increase the production of consumer goods, and thus smoothly carry out social circulation. Likewise, this would smoothly ensure the balance between the production of the means of production and the production of consumption materials, and thus would further develop expanded reproduction in a speedy manner.

The party's agriculture-first policy is made up of the important contents of our party's revolutionary economic strategy, and reflects the realistic condition of economic development and the prevailing situation.

The revolutionary economic strategy set forth by our party is implementing to the letter during the adjusting period, the agriculture-first, light industry-first, and foreign trade-first policy; is giving precedence to the coal industry, power industry, and rail transport; and is further developing the metal industry. During the

adjusting period of socialist economic construction, we must concentrate our efforts on further developing agriculture, light industry, and foreign trade so as to normalize production in other sectors. Likewise, by giving priority to precedent sectors, we must display the might of the already-prepared economic foundation. These are the basic goals of the economic strategy set forth by our party.

To implement the agriculture-first policy is very important in elevating people's standards of living, which is the primary goal of our party's economic strategies.

Above all, this is linked with the position of the agricultural sector in improving people's standard of living.

In general, people's material life is represented by food, clothing, and shelter.

What is most important among these is food. To realize Communism while solving food problems is a principle our party adheres to. The great leader let people use the expression "food, clothing, and shelter" instead of the phrase "clothing, food, and shelter" which had been used long ago in our country. That is, he emphasized that it is most important and imminent to solve food problems in the people's material life. When we increase agricultural products, including grain, by rapidly developing agricultural production, we can smoothly solve the food problems and constantly improve the people's dietary life. Light industry, as well as agriculture, is a sector that directly serves the people.

Developing light industry is also closely linked with agricultural development because agricultural products serve as important material for light industry. Only when we develop agricultural production and increase agricultural products, which serve as light industrial material, can we operate at full capacity plants in various light industrial fields, including the food and textile industries, and maintain a high and steady rate of production as well as effect innovations in producing consumer goods for the people. Thus, to value agriculture and concentrate great efforts on it is an important demand in achieving the primary goal of the party's revolutionary economic strategies.

It is related to the characteristic of agriculture that to thoroughly implement the agriculture-first policy is important in implementing the party's revolutionary economic strategies.

The basic means of agricultural production is land, which differs from industry; agricultural production is also influenced by climate and seasons.

Accordingly, in order to develop agriculture, we must free it from the influence of natural climatic conditions. This requires constant reinforcement of the material and technological basis of agriculture. However, it is impossible to smoothly develop the material and technological basis of agriculture, or industrialize and modernize agriculture, only on the strength of agriculture itself.

We should let industry actively help agriculture to consolidate the results of computerization and electrification in rural areas in order to introduce modern machines and chemicals into agriculture.

In particular, agriculture demands proper timing in farming. To guarantee proper timing exerts a decisive influence upon the increase of agricultural production per unit.

Accordingly, the timely supply of the labor, farm machines, and farming material required by farms during each season and each farming process can guarantee large yields. In conclusion, the success of agricultural production is influenced by the way each sector of the people's economy supplies the agricultural sector with the necessary labor, materials, and funds.

Only when agriculture is valued and actively supported by industry, can the rural economy be equipped with modern machines and technologies; can agriculture be industrialized and modernized; and can it be possible to introduce the results of agricultural science and to free agriculture from the influence of natural climatic conditions. Also, when we successfully carry out the work of nationwide and all-people support of agriculture, we can remarkably increase agricultural production, thoroughly implementing the *chuche* farming method. In order to firmly prepare material and technological means, which are necessary conditions of agricultural development and grain production, and in order to industrialize and modernize agriculture, we should establish a view for valuing agriculture and should concentrate efforts on this.

The great leader Comrade Kim Il-song made great efforts throughout his life to solve even more smoothly the people's food, clothing, and housing problems. During this year alone, the great leader summed up the historic victory of the rural theses, elucidated the brilliant road to ultimate victory in solving socialist rural problems, and clearly elucidated all problems emerging in the course of implementing the party's agriculture-first policy, giving on-the-spot guidance to cooperative farms in person until the last moment of his life. To completely implement the agriculture-first policy, upholding the teaching left by the great leader, is the most honorable and sublime revolutionary duty to realize the leader's lifelong intent to prepare a brighter future and abundant life for our fatherland and people. All party members and agricultural people should realize the party's revolutionary economic strategies as well as add luster to the *chuche* socialist fatherland established by the fatherly leader, by completely implementing the agriculture-first policy with great revolutionary determination and extraordinary enthusiasm.

#### **Daily on Collectivism in Socialist Society**

SK0212125694 *Pyongyang NODONG SINMUN* in Korean 28 Oct 94 p 2

[Article by Choe Hyon-o: "Collectivism Is Life of Socialism"]

[FBIS Translated Text] We are now faced with a heavy and honorable duty to more highly display the superiority of our-style socialist society centered on the popular masses. What is very important in carrying out this important revolutionary task in a successful way is to continue to thoroughly embody a collectivist principle in all fields of social life. Collectivism is the life of the socialist society.

The dear leader Comrade Kim Chong-il has pointed out: "We can say that the life of socialism is collectivism under all circumstances [*odikkajina*]."

The fact that collectivism is the life of socialism means that without collectivism, socialism cannot be maintained and cannot develop, either. Collectivism is an ideology that gives priority to the interest of a group over that of individuals. The essence of a socialist society lies in collectivism; and the source of its superiority and vitality also lie in collectivism.

The fact that collectivism is the life of socialism lies, above all, in the fact that a socialist society is, in essence, a society in which collectivism has been embodied.

Unlike a capitalist society in which all social life is based on individualism, in a socialist society all people are struggling together with common goals and interests. In a socialist society all people firmly unite as one and highly display a collectivist mode of life to help and guide each other in all fields. Herein lies one of the intrinsic characteristics of a socialist society that distinguishes it from all exploiting societies.

Because socialism intrinsically demands collectivism, if the party of the working class is to build a genuine socialist society, it should help all people firmly rally around the party and the leader [*suryong*] by intensifying education in collectivism and thoroughly embody the collectivist principle in all fields of social life. If one lets individualism—not collectivism—hold sway while he is talking about building a socialist society, then such a society cannot be said to be a socialist society. Such a society has lost its life as a socialist society.

A genuine socialist society in which a collectivist principle has been thoroughly embodied in all fields—political, economic, and cultural—of social life, is a society in which the whole society has been imbued with one ideology; in which the leadership [*yongdo*] of the party of the working class and the unified guidance of the state over the overall social life are firmly guaranteed; in which the socialist ownership over the means of production holds sway in a unified way; and in which all kinds of social management, including economic management, are carried out in a collective fashion. This is because the basic condition to achieve the unity and cohesion of the whole society, to achieve the unitary leadership and unified guidance of the party of the working class and of the state in the field of politics, to accomplish the unitary leadership of the socialist ownership in the field of economics, and to establish a collectivist method in

social management is to imbue the whole society with one ideology. "Liberalization" of ideology, "multiparty system" in politics, and "diversification" in ownership are the political methods of a capitalist society in which the struggle for survival is based upon individualism and liberalism holds sway, and such things have nothing to do with a genuine socialist society in which collectivism has been embodied. A historical lesson shows that if "pluralism" is introduced into a socialist society, individualism and liberalism will be fostered, thereby infringing upon the common interest of the society, destroying the unity and cohesion of the popular masses and demolishing the foundation of socialism.

In our country today, all the people are firmly equipped with the *chuche* idea; the Workers' Party of Korea stands solidly at the center of the revolutionary rank as a political guide of society and as a vanguard responsible for the people's destiny; and the people's regime manages and controls every sector of social life—including politics, the economy, and culture—in a collective method. Therefore, the singlehearted unity between the leader, party, and popular masses—which is based on one idea, purpose, and interest—has been realized. All the people are working in a revolutionary manner and living harmoniously by helping and leading each other forward on the collective principle of "one for all and all for one." Socialism in our country is the true socialist society in which collectivism is fully embodied. Such being the case, the world's people are increasing their praise and admiration, saying our own style of socialism is "an example of socialism."

That collectivism is the life of socialism lies in the fact that collectivism is the source of the superiority and vitality of socialism.

Socialist society is a society in which the popular masses are masters. With the establishment of the socialist system, the popular masses have become the masters of the state and society. Only when the popular masses play their role and fulfill their responsibilities as the masters, can socialism display its superiority and triumphantly march ahead, overcoming all sorts of obstacles and trials.

The source that enables the popular masses to play their role and fulfill their responsibilities is collectivism. Only when the popular masses have the idea of collectivism that values the interests of the state and society more than that of individuals, can they brilliantly carry out their responsibilities and role as the masters of the revolution and construction, and bring the advantages and vitality of socialism into full play in every aspect of social life, including politics, the economy, and culture. If the people do not have the idea of collectivism after the establishment of the socialist system, and thus value their individual belongings more than collective belongings; do not show application toward collective labor; and do not pay attention to the interests of the party and revolution, of the fatherland and people, instead pursuing only their own lives, then socialist society will

become a society without masters. Under such conditions, socialism cannot bring its vitality and superiority to full play and cannot develop. Therefore, in order for the working class' party to display the superiority and vitality of socialism, it should make the people firmly armed with the idea of collectivism and devote themselves to the struggle to win the interests of the state and society.

However, in a number of countries where socialism was built, attention was focused on pursuing material interests, not on the indoctrination of collectivism. From this, the people were infected with egoism and society became stagnant. To this end, socialism was harmed by it.

On the basis of the *chuche* idea created by the great leader Comrade Kim Il-song, our party has developed the ideology of socialist collectivism to a new and higher level. The *chuche*-oriented ideology of collectivism elucidates that the subject [*chuche*] of history which pioneers the fate of man is not an individual but rather the popular masses; it also clarifies that the popular masses should unite as a social, political body centered on the party and the leader [*suryong*], and should share the fate with their group with a view to pioneering their own fate in an independent and creative manner. This is a new, original ideology which has further developed the preceding ideology of collectivism—which stated that man cannot achieve his liberation individually, but can get rid of man's exploitation and oppression by man and achieve genuine freedom and equality only with the strength of the working class which has been united as a group—in conformity with the demands of the new stage on which the socialist system has been established and socialist construction has been intensified.

By vigorously pressing ahead with the work to firmly arm all members of society with the *chuche*-oriented ideology on collectivism, our party has realized a proud reality in which all people constitute a social, political body firmly rallying around the party and the leader [*suryong*], and in which they highly display the collectivist way of life based upon the comradely love and revolutionary sense of obligation in all fields of social life. Today, our people are fulfilling their responsibility and role as the masters of the country and society in all fields of social life—political, economic, and cultural—and are vigorously marching forward to accomplish the revolutionary cause of *chuche* in singlehearted unity around the dear leader Comrade Kim Chong-il, sharing life and death, joy and sorrow. With each passing day, an increasing number of our people become unsung heroes and unassuming people of distinguished service, struggling in a self-sacrificing manner while silently devoting their entire life only to the society and the group, to the party and the revolution, whether they are recognized or not. A movement to emulate them is being forcefully waged on society-wide. The leader [*suryong*], the party, and the masses are united as one social, political body in which they share the fate of life and death; all of society constitutes a large revolutionary household upholding

the dear comrade leader as the great father [oboi]. This is a genuine feature of our society, upon which we can highly pride ourselves with dignity. Herein lies the source of the superiority and invincible vitality of our country's socialism.

The reality eloquently shows that when the principle of collectivism is thoroughly embodied in all domains of social life, socialism can boldly break through all kinds of hardships and difficulties that arise along the road of advance, and can endlessly win victory after victory; otherwise, socialism will not be able to avoid failures and setbacks.

Our people will only devote their strength and wisdom to the sacred struggle for the party, the leader [suryong], the fatherland, and the people, firmly rallying around the dear comrade leader, thereby carrying through to the end the socialist cause of chuche.

### South Korea

#### Canceled Japan Visit Linked to Kim Chong-il

*SK0112134594 Seoul KBS-1 Radio Network in Korean 1300 GMT 1 Dec 94*

[FBIS Translated Text] A government official revealed that there is a possibility the reason North Korea suddenly canceled the Japanese coalition ruling party delegation's visit to North Korea may be due to Kim Chong-il's health, which prevents him from carrying out official activities.

This official said North Korea is not allowing visits by U.S. Congressman Murkowski, who revealed his intention to visit North Korea, and businessmen of the American Chamber of Commerce in the ROK. He stated there is a high possibility the reason North Korea is rejecting the request by Western figures to visit North Korea is because Kim Chong-il's health prevents him from carrying out official activities such as receiving people.

This official, however, said that according to an analysis by important countries such as the ROK, the United States, Japan, China, and Russia, it seems there is no change in Kim Chong-il's position; thus, it is viewed that there may be something wrong with Kim Chong-il's health. He added that an analysis reveals there is a possibility the scenes in which Kim Chong-il inspected Tangun Tomb last month may have been fabricated.

#### Russian Official on Selling Reactors to North

*SK0212113794 Seoul YONHAP in English 1128 GMT 2 Dec 94*

[FBIS Transcribed Text] Seoul, Dec. 2 (YONHAP)—Russia plans to send a government mission to Pyongyang this month to press for the use of its model of light-water reactor, a senior Russian diplomat here said on 1 December.

Georgiy D. Toloraya [spelling of name as received], deputy chief of the Russian mission here, said it doesn't stand to reason to distrust Russian reactors or discuss their backwardness.

"The latest model of our light-water reactors is much cheaper in price and does not lag behind American reactors in performance," Toloraya said.

Speaking at a seminar sponsored by the Social Sciences Institute of Kukmin University, the Russian diplomat said he cannot but point out that his government has some doubt about the recent U.S.-North Korea agreement.

"The doubt primarily concerns the project of light-water reactors," he said.

This position of Moscow was duly conveyed to the North Korean leadership during Russian Vice Foreign Minister Aleksandr Panov's visit to Pyongyang last September, he said.

Regarding Moscow's policy toward the Korean peninsula, the Russian deputy mission chief said Russia wants to see peace and stability take root in its neighboring areas and a unified, peace-oriented, democratic and prosperous Korea created on the Korean peninsula.

However, Russia's belief is that unification of South and North Korea should be realized in a peaceful and democratic way that does not bring about any disfavor to either of the two Koreas, he said.

Toloraya said he cannot agree with South Korean press reports that Russia is pursuing an equidistance policy toward South and North Korea.

Stressing that it is clear South Korea's model is closer to democratic Russia on the road to market economic reforms, the Russian official said that therefore the potentials of Russia's relations with South Korea are much richer than those with North Korea in economic, science, technical, cultural and personnel exchanges.

In connection with moves to restore Russia-North Korea relations, he said the two countries have taken a set of steps to restore the damaged good-neighborly relations and mutual understanding.

It was part of such moves that Vice Foreign Minister Panov visited Pyongyang last September, he said.

Toloraya said the "North Korea-USSR Friendship, Cooperation and Mutual Assistance Treaty," a sort of military alliance treaty, signed in 1961 still remains effective.

"But, we have concretely notified the North Koreans that the clause of automatic military intervention contained in the treaty would take force only when such intervention would be in accord with the Russian Constitution and when there is an unprovoked aggression

against North Korea, or when given frictions are not recognized under procedures set forth by international law," he said.

**Official: U.S.-North Talks 'Serious and Useful'**

SK0212034694 Seoul YONHAP in English 0334 GMT 2 Dec 94

[FBIS Transcribed Text] Beijing, Dec. 1 (YONHAP)—U.S. and North Korean nuclear experts meeting for a second day Thursday agreed to complete the necessary steps for providing the North with light-water reactors as soon as possible through mutual cooperation, according to western diplomatic sources here.

Among the steps are a light-water reactor supply contract, a feasibility study, selection of construction sites and a timetable, basic designs, and ordering of equipment and materials.

The second day of talks lasted from 11 AM to 5 PM Thursday at the North Korean Embassy in Beijing, attended by a total of 18 members from both sides. The U.S. team was led by Gary Samore, the State Department's deputy-director for nuclear nonproliferation, and the North Koreans by Kim Chong-u, chairman of the External Economy Commission.

In regard to the controversial issue of providing the North with South Korean-model light-water reactors, the two sides made considerable progress, according to the sources.

A serious debate took place over whether the South Korean standard models "Uljin Nos. 3 and 4" should be specified in the contract, "but both sides appear to have reached an implicit understanding to settle the matter technically," the sources said.

When they signed the nuclear accord with the United States on Oct. 21 in Geneva, the North Koreans understood about the South Korean light-water reactors. However, they later raised objections on the grounds that these models have never been exported and that their safety is questionable.

"Underlying these objections is the problem of face," the sources went on. "The issue, therefore, could be solved by devising a term for South Korean-model light-water reactors in a technical manner and taking the formal step of issuing a joint inspection certificate on the reactors' safety."

To overcome this hurdle, the sources said, the two countries might be able to insert in the reactor supply contract such wording as "all matters concerning the provision of light-water reactors to North Korea shall be consigned to the projected international consortium, dubbed the Korea Energy Development Organization (KEDO)," or "the model or models of light-water reactors to be provided to North Korea shall be recommended by KEDO."

It is thus expected that the Washington-Pyongyang negotiations and preparations on the supply of light-water reactors will be expedited with the target date set for next April 21, the deadline for conclusion of the contract.

This expectation gained support when a South Korean Foreign Ministry official related to the nuclear experts' talks described the second day's meeting as "serious and useful."

The U.S. State Department is slated to brief the media on the outcome of the experts' talks here Friday, according to the sources.

The U.S. and North Korean delegations will hold their last meeting at 11 AM Friday at the North Korean Embassy here. They will probably agree to resume the nuclear experts' talks in the near future, a diplomatic source said.

**U.S. Decides To Send Experts, Funds to DPRK**

SK0212102294 Seoul YONHAP in English 1015 GMT 2 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 2 (YONHAP)—The United States has decided to send an undisclosed number of experts to North Korea this month to help extend the storage period of the spent fuel bars now being held at a cooling cistern.

Washington also resolved to furnish about 200,000 dollars to the North for use in deterring the cistern, a senior government official said Friday [2 December].

The 200,000 dollars are set to be disbursed out of U.S. Energy Department funds, he said.

The official said the decision of the U.S. administration was based on an agreement made at the U.S.-North Korea experts meeting held in Beijing last Nov. 11-19 on the issue of spent fuel rods.

In North Korea, the U.S. experts will deterge the cooling cistern through chemical treatment so as to prolong the storage there of spent fuel rods, he said.

The official further said the cost of the first shipment of heavy oil to North Korea, 5 to 6 million dollars, will be provided out of U.S. Defense Department expenses while the cost of dry storage of spent fuel bars, amounting to 5 to 10 million dollars, will be met with the Energy Department money.

Meanwhile, U.S. nuclear ambassador Robert Gallucci said Thursday that North Korea hopes to obtain light-water reactors with interest-free, long-term credits, which it plans to pay back through barter trade later.

Speaking at a public hearing held at the U.S. Senate East Asia-Pacific Subcommittee on the North Korean nuclear issue, Gallucci said North Korea has been made to give up nuclear enrichment facilities let alone the disintegration of graphite-moderated reactors and reprocessing facilities.

This would oblige North Korea to rely on foreign countries for the fuel of their light-water reactors in the future, Gallucci added.

**North, U.S. Reach 'Tacit' Accord on Reactor Type**  
*SK0212000994 Seoul KBS-1 Radio Network in Korean*  
2315 GMT 1 Dec 94

[FBIS Translated Text] The United States and North Korea held a second-day session of talks at the North Korean Embassy in Beijing yesterday [1 December]. In the experts meeting, it was learned that the two sides have significantly narrowed differences in views, including reaching an agreement on technically handling [kisuljogro chorihandanundae] ROK-type reactors. Correspondent Yi Tong-sik reports from Beijing.

[Begin Yi recording] At the second day of talks, the United States and North Korea reportedly reached a consensus to settle pending problems, including signing a contract on supplying light-water reactors, conducting a feasibility study, and selecting a building site for reactors at the earliest possible date by closely cooperating with each other. In particular, it was learned that the two sides made a tacit agreement [muksijogin yanghae] to technically handle the selection of ROK-model reactors without specifying it in the contract.

A source said such a technical handling of reactors implies that all problems concerning the supply of light-water reactors will be entirely handed over to an international consortium. Accordingly, the negotiations between the United States and North Korea are expected to rapidly progress until 22 April, the date of signing a contract on supplying the light-water reactors.

A Foreign Ministry official revealed that he heard an explanation from the U.S. delegation that yesterday's talks were sincere and effective [chinjihago yuhyo-hangot]. The two sides will hold the last-day session of talks this morning [2 December].

This has been Yi Tong-sik reporting from Beijing. [end recording]

**U.S. Party Actions Over Nuclear Deal Viewed**  
*SK0212111494 Seoul HANGUK ILBO in Korean 2 Dec*  
94 p 3

[Editorial: "The North Korean Nuclear Deal Is Under U.S. Congressional Scrutiny"]

[FBIS Translated Text] The U.S. midterm election, which aroused "the revolt of the voters," reflects the American people's lack of confidence in the Democratic Party's leadership. From such an understanding, a majority of politicians now show a strong tendency toward conservatism. In addition, several distinctive "ideologists" in the Republican Party, which is in control of both the Senate and House for the first time since 1954, stand at the forefront of such a great change.

Speaker-to-be Gingrich declared he will revive American society by restoring "family values" and "religion"; Helms, who will take over as chairman of the Senate Foreign Relations Committee, called for a reduction of the UN's power under the banner of a U.S.-first line.

Now it is the turn of the North Korean nuclear deal. Murkowski, who will soon assume the title of chairman of the Senate East Asia-Pacific Affairs Subcommittee, has disclosed he will stop U.S. provisions of crude oil to North Korea. Dole, the leader-to-be of the Republican Party in the Senate, has agreed that hearings be held next year to discuss the North Korean nuclear deal.

Republicans have mapped out a strategy to consolidate the turnabout to conservatism as an irreversible trend before the Democratic Party rearranges its battle line. Also, Republican criticism of the U.S. Government hints at the beginning of a conflict among the factions who have their eyes on the presidency. In the wake of the Democratic Party's humiliating defeat in the midterm election, the presidency has fallen into a position which ambitious politicians crave.

Under such conditions, the Senate East Asia-Pacific Affairs Subcommittee hearings were held on the evening of 1 December (Korea time).

This is not welcome news for us. It reminds us of last October, when we were shocked to hear that the North Korea-U.S. agreement was reached. Then our pride was badly hurt because we heard the news while hovering outside the meeting hall. Now the arena has moved to the U.S. Senate, and the hawkish forces of the Republicans hold the initiative as a result of the midterm election. However, the ROK is still hovering outside the arena.

Worse still, there are not many hawkish factions within the Republican Party who brought up the problems of the North Korea-U.S. nuclear deal out of concern for the future of the ROK. The immediate task of the hawkish factions within the Republican Party is to reduce expenditures while solving the North Korean nuclear problem.

The ROK should prepare for the possibility that the North Korean nuclear issue will rely upon the policies and interests of the Democratic and Republican Parties. We should not be upset by the remarks of hawkish factions that are expected to come out at the hearings. We should also be careful not to make "a remark" that would affect the nuclear dispute between the Democratic and Republican Parties, a dispute that will soon take place within the U.S. Senate.

In addition, ROK political circles should be awakened. At a time when the U.S. Senate is taking up the issue of the North Korean nuclear deal, the National Assembly is idly passing the time. Indeed, where are our hearings? A National Assembly that does not know how to discuss or deliberate the national interest is not worthy of existence.

### **'Tasks' Follow Transfer of Operational Control**

SK0212115694 Seoul HANGYORE SINMUN in Korean  
2 Dec 94 p 3

[Editorial: "Tasks Following the Transfer of Peacetime Operational Control"]

[FBIS Translated Text] The ROK now has the right to exercise peacetime operational control over the ROK Army, control of which until recently was possessed by the U.S. commander of the ROK-U.S. Combined Forces. During the Korean war, it might have been unavoidable to unify operational control for effective implementation of operations. As a matter of form, the present military confrontation between the South and North must be translated into a temporary cease-fire following the Armistice Agreement. However, the long cease-fire lasting over 40 years has greatly weakened the meaning of the temporary cease-fire. We cannot deny that the U.S. Forces' exercise of operational control over the ROK Army for 44 years has hurt the people's sentiment, although they are aware of its historic background and its necessity. Therefore, regaining operational control, even if only in peacetime, is a welcome event, and not just because of its military meaning.

In a narrow sense, the transfer of peacetime operational control is a result of the combination of the increase in our defense capability, which accompanies the increase of our national strength, and the U.S. intention to lessen its role as it undergoes financial difficulties. In a different sense, it is linked with the worldwide decline of the Cold War as well as the change in the security structure in Northeast Asia. The United States, which has played a pivotal role in preventing war on the Korean peninsula, has tried to transfer its leading functions to the ROK Army while taking a secondary role in accordance with the changing international security environment. The transfer of peacetime operational control can be regarded as the second step to realizing this intention; the first step was symbolized by the foundation of the ROK-U.S. Combined Forces and the assignment of an ROK Army officer as the combined forces' chief delegate to the armistice talks. The transfer of wartime operational control and the reduction of U.S. Forces in Korea are also slated for the future, with an improvement in South-North relations serving as a variable.

The United States has decided it will continuously exercise operational control over several commitments even in peacetime, such as ROK-U.S. joint exercises and the collection and management of information. However, regaining peacetime operational control is significant, for it means an emergent security crisis is not expected. While going through procedures to reduce its role, however, the United States is carefully ensuring that the ROK Army maintains U.S. communication and weapons systems. This is interpreted as a U.S. attempt to maintain existing ROK-U.S. relations in which the ROK relies on the United States for military supplies. The

national defense authorities should review this and take proper measures in the future.

I hope the course of meaningful improvement in the ROK-U.S. military relations will provide momentum for both South and North Korean military authorities, which are not always positive [kungjongjok] about reunification, to make a new start. The national defense authorities should make efforts to completely regain operational control, over which North Korea keeps disgracing the South, and should carry out the plan to increase our defense capability in a bid to have the U.S. Forces withdrawn. North Korea should also abandon such attitudes as rejecting the ROK Army officer who is the chief delegate to the armistice talks, contrary to its insistence that national problems should be solved by fellow countrymen. North Korea is certainly well aware of the way to the complete withdrawal of the U.S. Forces from Korea following the transfer of operational control.

### **Ceremony Marks U.S. Delivery of Fighter Plane**

SK0212043494 Seoul YONHAP in English 0354 GMT 2  
Dec 94

[FBIS Transcribed Text] Seoul, Dec. 2 (YONHAP)—A ceremony marking U.S. delivery of the first F-16 fighter plane to South Korea was held Thursday at Carswell Air Base in Fort Worth, Texas, with Korean Air Force Chief of Staff Gen. Kim Hong-nae attending, the Defense Ministry announced.

About 300 officials from both the U.S. and Korean Governments attended the ceremony.

The initial F-16 for the Korean Air Force, made by Lockheed Aircraft Ltd., is the latest model fitted with advanced electronic equipment and various weapons including advanced medium-range air-to-air missiles (AMRAAMS) and low-altitude navigation and targeting infrared for night (LANTIRN).

The F-16 is scheduled to arrive in South Korea on Dec. 17 and 12 others will come in three to four deliveries by next April.

Under the Korean Fighter Program (KFP), South Korea will have a total of 120 F-16s by 1999, producing some of them here through partial assembly and licensed production.

Meanwhile, Gen. Kim said, "The KFP will contribute to the stability of the Korean peninsula as well as world peace. I feel very happy that we will be able to effectively cope with the North Korean threat and defend our system of free democracy with the latest model of the F-16."

### **Botswana President Agrees on Economic Cooperation**

SK0212020894 Seoul THE KOREA HERALD in  
English 2 Dec 94 p 2

[FBIS Transcribed Text] Botswana President Sir Ketumile Masire pledged yesterday his government will guarantee Korean firms freer business activities in the African country.

Masire gave the commitment after seeking more active South Korean investment in Botswana during a summit meeting with President Kim Yong-sam at Chongwadae.

President Kim welcomed President Masire's proposals and expressed his hope that Botswana become a center for Korean business activities in the African continent, Chongwadae spokesman Chu Ton-sik said.

Botswana, which has enjoyed a relatively high political stability since its independence from Great Britain in 1966, saw its economy grow by an annual average of 11 percent up to 1990.

It's per capita gross national product (GNP) was \$2,590 in 1991, which is the third-highest among the sub-Sahara nations only after Gabon and South Africa, according to administration officials.

"Botswana is rich in natural resources and is politically stable, and continuing economic development there will prove a great asset for further development of economic ties between the two countries," presidential spokesman Chu said.

Officials said Korean conglomerates such as Daewoo and Hyundai are now engaged in road construction and car assembly projects in Botswana.

South Korean exports to the African country, which amounted to \$817,000 last year, rose to \$13.6 million in the first eight months of this year, an expansion of 570 percent from a year earlier, according to Korean government figures.

On strategic issues, Kim and Masire shared the view that both countries work together in securing stability in both Northeast Asia and Africa.

Chu said that Masire expressed his commitment to support Seoul's efforts to solve the North Korean nuclear issue and achieve peaceful unification of the Korean Peninsula.

The Botswana leader also promised that his country will support the Korean bids to become a nonpermanent member of the U.N. Security Council and to have its trade minister elected as the chief of the WTO (World Trade Organization).

Botswana currently chairs the Organization of African Unity (OAU) that embraces eight African countries.

As to the situation in Africa, President Kim, noting the South Korean participation in the U.N. peacekeeping operation in Somalia, expressed his support to the efforts of the United Nations and the OAU to end regional conflicts in the continent.

Masire, the first head of state from Botswana to visit South Korea since the two countries established diplomatic relations in 1968, attended a state banquet President Kim and First Lady Son Myong-sun hosted in honor of his party at Chongwadae yesterday evening.

He will return home today, winding up a three-day state visit.

#### **Attends Dinner Hosted by Kim**

*SK0112124094 Seoul YONHAP in English 1209 GMT 1 Dec 94*

[FBIS Transcribed Text] Seoul, Dec. 1 (YONHAP)—President Kim Yong-sam on Thursday [1 December] evening stressed the importance of cooperation between Korea and Botswana with a spirit of South-South mutual help.

In a table speech he made at a dinner he hosted for visiting Botswana President Ketumile Masire, President Kim said his country can contribute to the development of Botswana with its accumulated developmental experience and expertise.

"I especially hope that Korean businesses will be actively involved in your efforts to promote national prosperity," President Kim said.

The Botswana president asked for Korea's positive investment in his country, saying Botswana is a "heaven for foreign investors."

Saying that Hyundai and Daewoo Groups are actively engaged in projects in Botswana, Masire said he believes South Korea won't let other countries advance, ahead of Korea, to the South African market with a population of 120 million.

The Chongwadae [presidential offices] dinner lasted about two hours. It was attended by about 60 guests from Korea and 20 from Botswana.

#### **Taiwan Plans To Open Procurement Market to Seoul**

*SK0112074094 Seoul YONHAP in English 0510 GMT 1 Dec 94*

[FBIS Transcribed Text] Seoul, Dec. 1 (YONHAP)—The Taiwanese Government plans to allow South Korean participation in procurement projects that were previously off-limits to Seoul after the two nations severed official relations.

According to a report sent by the Taipei Trade Center of the Korea Trade Promotion Corp. (KOTRA) Thursday [1 December], the Taiwanese Economic Affairs Ministry has decided to permit South Korea to take part in such projects on condition of its entry to the General Agreement on Tariffs and Trade (GATT). Taipei has restricted Seoul's participation because they broke off diplomatic ties.

The ministry is also expected to lift a similar ban on Japan maintained on the grounds of its trade deficit with that country.

The Taipei government is due to sign the government procurement agreement of the GATT, with the offers to

Seoul and Tokyo stemming from its strategy to win the support of GATT members for the signing.

KOTRA forecast that Taipei's opening of its government purchasing market, whose volume is estimated at over 7.7 billion U.S. dollars, will have a great impact.

Of procurement projects ranging from basic industry to high technology, the Economic Affairs Ministry controls such fields as electricity, shipbuilding, steel, oil, fertilizers and sugar, while the Transportation Ministry is in charge of such areas as telegraphic communications, mail and sea transport.

Officials of the Economic Affairs Ministry said, "Opening the procurement market to South Korea and Japan on condition of Taiwan's joining the GATT will have an immense impact on the Taiwanese economy, but help lower purchasing prices with the participation of these nations which have a competitive edge in quality and technology."

#### Foreign-Owned Stock Ceiling Rises to 12 Percent

SK0112042594 Seoul THE KOREA TIMES in English  
1 Dec 94 p 9

[FBIS Transcribed Text] From today, foreigners will be able to buy up to 12 percent of Korean listed companies stocks, up from the previous ceiling of 10 percent.

Theoretically, they will be able to buy an additional 3.2 trillion won worth of Korean stocks but analysts said they will compete with each other to buy bluechip issues linked to big firms.

In the next five to 10 days, foreigners will snap up about 30 bluechips, including Korea Mobile Telecom, Hyundai Engineering and Construction, Samsung Electronics, according to Ssangyong and Lucky Securities Co.

To buy bluechip stocks, foreign investors restructured their portfolios last month. In November, they sold off a record monthly amount of more than one trillion won but bought only 640 billion won worth, according to the Securities Supervisory Board.

Last month alone, net foreign portfolio capital outflow amounted to a record high of 300 million dollars, it said.

Yi Sang-chin, deputy manager of the Seoul branch of the British Schroder Securities Co. said, "No sudden rush is expected with the ceiling expanding."

Philip Smiley, chief of Jardine Fleming's Seoul operation, expects foreign investors to be quite selective in buying stocks, choosing those which are fundamentally attractive. He added as foreigners were disappointed with the size of the ceiling hike, there will be no rush of foreign money to buy Seoul stocks.

He said it is also possible foreigners will wait for the Seoul market to consolidate before they make investments, adding that for the past three months, the market has risen a lot.

For the past two months, foreigners were net sellers because they are confident of gaining access to good quality stocks after the ceiling is raised, he and other brokers said.

Until the ceiling is raised to 15-20 percent, the Seoul market will continue to be illiquid for foreign investors, he said.

W.I. Carr's Seoul branch chief Peter Thorn said foreign investors will concentrate their buying on selective bluechip issues, including Korea Mobile Telecom. But he added, "We must wait and see for the time being," however.

Pak Yong-ho, an analyst with Lucky Securities Co., said over the next one week, foreigners are likely to place buy orders of one trillion won to snap up 30 bluechip issues. But after they have bought up these fundamentally attractive issues, they might wait before deciding whether to make additional investments or not, depending on the stock market situation.

#### Trade Ministry Reports on Import Statistics

SK0112080894 Seoul YONHAP in English 0801 GMT 1  
Dec 94

[FBIS Transcribed Text] Seoul, Dec. 1 (YONHAP)—South Korea's annual imports are expected to surpass 100 billion U.S. dollars for the first time this year, the Trade, Industry and Energy Ministry said Thursday [1 December].

Exports came to 9,285 million dollars in November on a customs clearance basis, up 26.4 percent from the same month last year, while imports soared 32.0 percent to 9,577 million dollars from a year earlier, according to the ministry's tentative tally.

Total exports for the first 11 months of this year amounted to 85,462 million dollars and imports to 91,721 million dollars. Consequently, the trade deficit increased to 6,259 million dollars, up 4,052 million dollars from that recorded in the same period last year.

The ministry had expected exports would reach 94.5 billion dollars and imports 99.5 billion dollars for the whole of this year. But the steep increase in imports of capital goods and raw materials is likely to continue for the time being, pushing total imports past 100 billion dollars, ministry officials said.

In particular, the country's trade deficit with Japan amounted to 10,410 million dollars in the period from Jan. 1 to Nov. 21—the largest ever—and looks likely to top 11 billion dollars by the end of this year.

Exports to Japan were 11,740 million dollars through Nov. 21 while imports from that nation reached 22,150 million dollars.

Monthly exports surpassed 9 billion dollars for the first time in November, while monthly imports posted a first by topping the 9-billion-dollar mark in October and kept on rising in November.

The import increase rate of 32.0 percent recorded in November is the highest rate since the same month of 1990.

So while exports are on the march, imports are growing even more.

Semiconductor exports continued to boom in exceeding 1.2 billion dollars in October and November, and exports of automobiles, ships, petrochemicals, and electric and electronic goods also increased more than 30 percent from October a year ago.

Exports of light industry goods have grown more than 10 percent in the last quarter of this year compared with the same period in 1993.

By region, exports to advanced nations like the United States, Japan and the members of the European Union increased more than 25 percent from a year earlier, while those to China, Taiwan, Hong Kong and ASEAN grew about 30 percent.

Imports of capital goods kept climbing by more than 40 percent for the second consecutive month in November, leading the overall import gain, while those of raw materials and consumer goods rose 14 percent and 26 percent, respectively.

Issuance of import licenses surged more than 40 percent in November, signalling that imports will continue to soar for the time being.

Meanwhile, about 4,680 million dollars worth of letters of credit had arrived as of Nov. 25, up 18.2 percent from last year.

#### **Seoul Plans Globalization Promotion Committee**

*SK0112074494 Seoul YONHAP in English 0628 GMT 1 Dec 94*

[FBIS Transcribed Text] Seoul, Dec. 1 (YONHAP)—The cabinet decided to form a government-private sector committee to promote and realize President Kim Yong-sam's globalization vision at a high-level meeting Thursday [1 December] presided over by Prime Minister Yi Yong-tok.

The new committee, representing various walks of life, will coordinate the actions of such existing government advisory bodies as the Internationalization Promotion Committee, the 21st Century Committee, the Educational Reform Committee and the Administrative Reform Committee.

The prime minister will chair the panel assisted by a vice chairperson to be selected from among private members.

The committee will embark on four strategic programs for improving the government's administrative efficiency, training creative young people through educational reform, deregulating economic activities in the private sector and encouraging people to think globally through moral reform.

Attending the meeting at Prime Minister Yi's official residence were Deputy Premier and Economic Planning Minister Hong Chae-hyong, Foreign Minister Han Sung-chu, Finance Minister Pak Chae-yun, Agriculture, Forestry and Fisheries Minister Choe In-ki, Trade, Industry and Energy Minister Kim Chol-su, Information Minister O In-hwan and First State Minister for Political Affairs So Chong-won.

#### **Kim Reaffirms Stance To Eradicate Corruption**

*SK0112075494 Seoul YONHAP in English 0722 GMT 1 Dec 94*

[FBIS Transcribed Text] Seoul, Dec. 1 (YONHAP)—President Kim Yong-sam reaffirmed Thursday [1 December] his determination to uproot corruption, apparently referring to a series of scandals involving tax officials in Puchon who embezzled a huge amount of tax revenues, Presidential Spokesman Chu Ton-sik said Thursday.

Speaking to military leaders including Joint Chiefs of Staff Chairman Gen. Yi Yang-ho, who reported to the president on the return of peacetime operational control of the South Korean Armed Forces to Korea, Kim was quoted as stating: "As I said in my inauguration speech, I will not forgive irregularities and will sweep away anything which should be removed."

Kim was also quoted as telling the military leadership over lunch at Chongwadae [presidential offices] that "I will try to have the purification drive from upward linked to the lower level so our society can be cleaned up."

#### **President Kim Sends Message to Kim Tae-chung**

*SK3011093094 Seoul YONHAP in English 0901 GMT 30 Nov 94*

[FBIS Transcribed Text] Seoul, Nov. 30 (YONHAP)—President Kim Yong-sam on Wednesday afternoon sent Chairman Kim Tae-chung of the Asia-Pacific Peace Foundation a congratulatory message to be read at the opening session of the foundation-sponsored Asia-Pacific democratic leaders' conference at Hilton Hotel Thursday.

In the message, President Kim wished the conference would be successful, reminding the democratic movement Chairman Kim and he had jointly led in the past.

He also expressed hope that the conference would contribute to democratic movements in the Asia-Pacific region so that democracy will blossom in all the regional countries.

The message is the first President Kim has ever sent to his rival in the 1992 presidential election since his inauguration in March last year.

### Political Future of Kim Yong-sam Analyzed

SK0112080394 Seoul YONHAP in English 0750 GMT 1 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 1 (YONHAP)—December may prove to be the most important month of this year in determining the political future of President Kim Yong-sam and his government.

This month will see a review of the first half of Kim's five-year term, with the president poised to meet the second half with fresh faces in his administration, the ruling party and among his secretaries.

Without doubt, President Kim regards December as having great importance. Presidential staffers at Chongwadae [presidential offices] say Kim is resolved to conduct state affairs as if he were a single three-year term president being inaugurated on Jan. 1, 1995.

Armed with such determination, the president is contemplating a new blueprint and objectives for state administration over the remaining three years of his term by forming new cabinet and secretary lineups.

Toward that end, the presidential office is reportedly working out a list of candidates suitable to become new cabinet members and senior presidential secretaries while reviewing the existing members' service records and efficiency ratings.

Another secret project is under way to revamp the organization of Chongwadae, including the establishment of national security and trade bodies under the direct supervision of the president and the reinforcement of the chief presidential secretary's functions.

Government sources predict that the president will take sweeping steps for a personnel reshuffle and administrative reform as soon as the incumbent parliamentary session comes to an end.

Kim injected fresh air into state administration during the first six months of his presidency through a series of sweeping reform measures.

Sources at Chongwadae say the president is spurring preparatory work for a new reform drive that will lift the people's spirits.

But these new steps will not be as revolutionary as was seen during the initial period last year, the sources predict, saying that instead they will be carried out through persuasion based on past experience.

Political observers believe the new presidential offensive will coincide with the end of the regular parliamentary sitting in mid-December.

The prevailing opinion in the government has it that Prime Minister Yi Yong-tok will be relieved of his post around Dec. 20 and that his successor will be endorsed soon after at an extraordinary session of the National Assembly.

Moreover, there is a strong possibility of a sweeping reshuffle involving the cabinet and Chongwadae secretariat sometime before Christmas day.

Whatever forms the reshuffle and reorganization may take, President Kim is looking to make a fresh start toward the latter half of his term.

### Pohang Iron, Steel Undergoes Restructuring

SK0212031894 Seoul THE KOREA HERALD in English 2 Dec 94 p 8

[FBIS Transcribed Text] Pohang Iron and Steel Co. merged six of its subsidiaries into three units in ceremonies simultaneously held at its Pohang headquarters and Seoul office yesterday, to facilitate its corporate restructuring process.

The three new and bigger subsidiaries that came into being with the latest reorganization of the steel giant, widely dubbed as POSCO, are POSCO Engineering and Construction Co., or POSEC, POSCO Refractories Co. (PORSEC) and POSCO Steel Sales Co. (POSTEEL).

POSCO Engineering and Construction, a merge between POSCO's previous building and engineering units, is expected to emerge as one of the core companies of the steel group, a company spokesman said.

POSEC will be particularly specializing in sectors such as plant engineering, environment and overseas construction, he said. Other major areas of concern for the newly-born company include power generation and the building of liquefied natural gas storage terminals.

POSCO Refractories is aiming to become a world-class supplier of materials for making blast furnaces, including heat-resistant bricks used for building inner furnace walls, the spokesman said.

POSCO Steel Sales will try to enhance the distributive efficiency of steel products on the domestic market by merging with an existing unit which had specialized in processing cold-rolled plates and distribution.

"The latest series of mergers is the continuing process of group-level restructuring that started in June, which in turn is aimed at sustainable growth of the company amid aggressive competition," said Yi Su-yong, the company's public relations manager. POSCO is Korea's largest and the world's second largest steel maker.

By 1996 when the company will have merged another three affiliated firms, the number of POSCO's subsidiaries will be reduced to 14, from the 43 recorded last

June, Lee said. POSCO will have controlling stakes in 12 companies, with the other two being only partially owned or indirectly owned by one of its subsidiaries.

On Wednesday, meanwhile, the huge steel company announced that it would invest 3 trillion won (\$3.77 billion) into capacity buildup aimed at bolstering its output to 280 million tons by 2001, which will elevate it to the world's largest steel manufacturer. To attain this

goal, the company also plans to increase the spending on research and development to 226 billion won next year, or 2.3 percent of its estimated sales, up from the 1.6 percent level this year.

It has set the 1995 raw steel output target at 22.67 million tons, an increase of 2.7 percent from this year, while projecting to make net profits of 340 billion won out of total sales of 7.34 trillion won, up 0.5 percent from 1994, it said.

## Cambodia

### Team To Visit SRV To Discuss U.S. MIA Search

*BK0212102494 Hong Kong AFP in English 1005 GMT 2 Dec 94*

[FBIS Transcribed Text] Phnom Penh, Dec 2 (AFP)—The Cambodian government will send a three-member team to Vietnam to discuss the search for US soldiers listed as missing in action (MIA) from the Vietnam War, the delegation leader said Friday.

The aim of the discussions is to gather information about Americans believed missing in action in areas inside Cambodia near the Vietnamese border, team leader General Nguon Saret told AFP.

"It is possible that Vietnam may have more information about MIAs, so they can tell us and help us," the general said.

Vietnam has welcomed the team and promised to provide assistance during the talks which are to take place in Hanoi early next week, he said.

The three man team, comprising a representative from the interior, defence and foreign affairs ministries, was set up on the instructions of co-Premiers Prince Norodom Ranariddh and Hun Sen, the general said.

US military teams in conjunction with the Cambodian authorities have previously carried out a number of searches for MIAs in Cambodian territory and the delegation hopes the discussions will facilitate the US Joint Task Force for Full Accounting in carrying out further missions, the general said.

There are 2,213 American servicemen still listed as missing in action in Indochina.

The Cambodian team will leave Phnom Penh for Vietnam Saturday.

### Khmer Rouge Radio Criticizes Contacts With SRV

*BK0112161894 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 1 Dec 94*

["The Secret Plan Is Exposed When It Is Implemented"]

[FBIS Translated Text] Reports from Phnom Penh say that the National Defense Ministry of the two-headed puppets recently sent a message through communist Vietnam's secret channel in Cambodia to communist Vietnam in Hanoi moaning about the lack of money for continuing communist Vietnam's war in Cambodia.

The reports specify that in the message of reply communist Vietnam advised the two-headed puppets to do the following:

1. Continue asking for aid from the Western alliance;

2. Levy increased taxes on the Cambodian people;

3. Promote logging in the western area, particularly in the three-border area; and

4. Strive to rob paddy and rice to feed their troops.

Note: These reports are in conformity with the current situation in Cambodia. That is:

1. Chea Sim is to travel to Hanoi immediately under a (?bilateral) form;

2. Tea Chamrat, national defense minister of the two-headed puppets, and his servants are to travel to the United States;

3. Communist Vietnam's puppets have made efforts to repeatedly send troops, mechanical equipment, workers, and technicians to the three-border area to cut down trees for sale despite being successively smashed there by the people and the National Army of Democratic Kampuchea;

4. The two-headed puppets are increasing taxes and robbing more paddy and rice from the Cambodian people.

The reports say that the two-headed puppets have gone around begging but have not been given anything because they are being defeated and because they are so futile. These reports also show that if the masters, on the left and on the right, are finding it impossible to drag the puppets along, how long can the two-headed puppets last?

The reports further say that the two-headed puppets are writhing because they have received serious blows. The people and the resistance force have scored direct hits and have wiped out their civilian administration from villages and communes.

### 'People' Say Government Troops Killed Thais

*BK0112092494 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 30 Dec 94*

[FBIS Translated Text] People in Choam Khsan and Chhep Districts in Preah Vihear Province say that Phnom Penh's troops were the ones that killed the Thai workers in Choam Khsan and Chhep Districts.

The people say they heard this from Phnom Penh's soldiers, who in talking amongst themselves say that they killed the Thai workers on the orders of their commanders in Tbeng, Siem Reap, and Phnom Penh. The Phnom Penh soldiers say that these killings were very secret and had the political goal of implicating the National Army of Democratic Kampuchea and making Thailand angry with Democratic Kampuchea. The people say they know the soldiers and the units involved in the killing of the Thai workers; the soldiers are from Unit 31, raised in Phnom Penh with additional soldiers recruited in Choam Khsan.

**Sihanouk Denies Desire To Meet Khmer Rouge***BK0212061694 Phnom Penh National Radio of Cambodia Network in Cambodian 0500 GMT 2 Dec 94*

[FBIS Translated Text] His Majesty King Norodom Sihanouk of the Kingdom of Cambodia issued a clarification on 1 December in Beijing. Our radio station would like to provide the following unofficial translation of the message:

Recently it was reported that I said to a foreign personality that on my upcoming return to Cambodia I want to see many Khmer Rouge personalities. On this issue, I would like to clarify that I did not say this at all. If I return to my beloved motherland in the coming days, it is to serve the Cambodian people in the following sectors: social, humanitarian, water policy, public health, and education. It is not to carry out political activities or to (?see) one or many Khmer Rouge personalities.

**Ranariddh Cites Constitution on KR Gem Trade***BK0112144094 Phnom Penh National Radio of Cambodia Network in Cambodian 0500 GMT 1 Dec 94*

[FBIS Translated Text] Natural resources and precious stones in Pailin are being seriously destroyed because the outlawed Khmer Rouge [KR] rebels have allowed their exploitation by Thai traders.

Prince Krompreah Norodom Ranariddh, first prime minister, affirmed this at the seminar on 28 November at the Interior Ministry, saying that there were only eight Thai companies previously in Pailin but now there are up to 16 companies that are involved in gem mining. Each day no less than 100 trucks or 300 trays of gems are extracted. It is this gem trade by Thai businessmen that enables the outlawed Khmer Rouge rebels to continue the war with their own nation and race. The Khmer Rouge have returned to their past atrocities and barbarism. The Prince Krompreah also said that the Khmer Rouge rebels recently burned down some 276 people's villages, six schools, and hospitals in some districts in Siem Reap Province. They burned down the Cambodian people's houses and schools on Cambodian territory; caused suffering to Cambodians; and shouted that these schools and houses belong to the Vietnamese.

In Article 3 of the Constitution it is said that the Kingdom of Cambodia is a state that cannot be divided. Concerning this issue the Prince Krompreah heavily stressed that the Constitution does not allow autonomous or secessionist zones; therefore, we have to act in accordance with the Constitution, which we worked hard to get.

**KR 'Document' Sheds Light on Hostage Execution***BK0212093094 Bangkok THE NATION in English 2 Dec 94 p A8*

[FBIS Transcribed Text] Phnom Penh—A recently captured Khmer Rouge document provides vital evidence

confirming the role of "75" (General Paet) in organizing the execution of the three foreign hostages in line with instructions from "99", the party chief and supreme commander—Pol Pot.

"According to instructions from "99" the three guys must be liquidated, we have nothing more to gain from keeping them." And then General Paet in his radio communication with "37" reports that according to the party line from headquarters: "after the execution, (we) keep it totally secret."

This transcript, found close to where the three hostages were killed on Phnom Voar Mountain, is based on internal Khmer Rouge radio communications dated 25th September 1994. THE NATION has seen the original. Photocopies have been examined by Phnom Penh experts, both scholars and diplomats, who have found no reason to doubt their authenticity.

THE NATION on November 11th published a photocopy of an earlier radio message from "99" identified as Pol Pot to "75" General Nuon Paet in charge of Kampot Province. It explained the leadership's new line on using the three hostages as part of a terrorist strategy to stop military aid to the Cambodian Government. Back in August the leadership wanted to keep the hostages alive as bargaining pawns. However towards the end of September, it was obvious that Western governments were not about to adjust their foreign policy towards Cambodia to placate these terrorist demands. This second series of captured radio transcripts makes it clear that by 25th of September Pol Pot had decided that they had no further use for the foreign hostages.

Forensic and other evidence also confirms that the three Phnom Voar hostages: Briton Mark Slater, Australian David Wilson and Frenchman Jean-Michel Braquet were killed sometime in September, a little more than a kilometre from General Paet's base.

"37" has been identified by Khmer Rouge sources as Ta Bet, the top commander of South-West regional forces comprising both-Khmer Rouge divisions 405 (Kampot) and 305 (Kompong Speu). General Nuon Paet was "37's" deputy commander for the region. Prior to the mass defections of Paet's troops and the rout of Phnom Voar guerilla base, General Bet's regional command headquarters was at Kaoh Sla. Since Phnom Voar was overrun by government forces there are indications that "37" has moved his regional base to Kompong Speu where Khmer Rouge forces are reported to be regrouping with the eventual aim of retaking their old Phnom Voar base.

Khmer Rouge Radio (which goes by the name of Radio of the Provisional Government of the National Union and National Salvation of Cambodia) had earlier denounced the three foreigners as "spies" and subject to "the law" (Khmer Rouge law) but the rebel group has since denied responsibility for the killings.

General Bet has been responsible for South-West Region since 1979 with a break from 1984/5 - 87 when he was called back to the Thai border to receive further political education and a course in the Thai language (many Khmer Rouge leaders speak fluent Thai).

A defector close to the South-West Command described a number of Khmer Rouge teaching centres and cadre training schools which were originally located inside Thailand. DO-25 and KO-18 were identified as two places for cadre training, with company and battalion commanders trained at KO-18, whereas regimental and divisional commanders are taught at DO-25.

General Bet is known to have done some teaching at Ang Toek (military training school) alongside Ta Mok and Nuon Chea, and the defector reported that "37" like other leaders "is completely loyal to Pol Pot's line, and always carries out his instructions."

During the war against the Vietnamese occupation, this network of Khmer Rouge training centres inside Thailand had been sealed off from the outside world by the secretive Unit 838 of the Thai Special Forces, which was tasked with ensuring safe sanctuary for Khmer Rouge on Thai soil, and providing Pol Pot and other top leaders with transportation, protection, and communications.

Former US ambassador to Thailand Morton Abramowitz, is among the many Cambodia-watchers who doubt the claims by the Thai military that Unit 838 has now been disbanded, after more than 12 years partnership with Pol Pot forces along the border. Abramowitz, sharply criticised Thai support for Khmer Rouge in a WASHINGTON POST column a few months ago, which led to an outcry from the Thai military.

The issue of official Thai support for the guerrilla group has been at the centre of repeated diplomatic rows this year between Bangkok and Washington, Phnom Penh and Canberra. Australian Foreign Minister Gareth Evans fuelled the controversy again this month when he said some Thai businessmen and individuals still backed the guerrillas, a charge which he later softened.

An Australian parliamentary team on a fact-finding mission to Thailand earlier this week said they believed Bangkok is doing everything it can to distance itself from the Khmer Rouge.

But the South-West region defector said a financial linkage with Thailand and the Khmer Rouge still exists. He related that General Beth sometimes sends his wife who stays in the border village of O Daeum Chek, (not far from the Borei-Pailin Khmer Rouge HQ) on special trips to deposit Khmer Rouge finances across the Thai border. According to this source "the money comes from Pol Pot to finance South-West operations, and part of the funds are deposited in a Thai bank by his wife" who is provided with a chauffeur-driven Thai-licensed car.

It is also reported that in Surin province, exactly the same kind of banking facilities exist for Khmer Rouge forces under the command of Ta Mok.

The Thai government has been requested by several parties to freeze all Khmer Rouge assets in Thai banks. The Pol Pot fortune was amassed from the sales of Pailin sapphires, other gems and timber concessions along the border.

#### **Government Circular Urges 'Thrift'**

*BK0212093694 Phnom Penh National Radio of Cambodia Network in Cambodian 1100 GMT 1 Dec 94*

[Circular No. 07 issued by the Royal Government on 28 November]

[FBIS Translated Text] At a time when the country needs all-round restoration and reconstruction, many serious difficulties have kept taking place, such as the destructive activities of the Khmer Rouge rebels and natural disasters.

In fact, this year, more seriously than in the past, floods and drought have kept occurring, causing serious damage to communications lines, houses, property, crops as well as to the farmers' means of production. The damage has been so extensive that the Royal Government has been forced to use all possible means, including the national budget and other available resources, to meet the losses, make good the damage, and provide relief for those affected by the famine.

The Royal Government has realized that at a time when the budget is limited, ministries, institutions, provinces, and cities have generally spent carelessly, without exercising thrift. Such wastage continues unabated. Carelessness and wastage occur because the leading officials lack both a sense of responsibility as well as control and supervision capabilities. This has led to the excessive use of time, labor, the national budget, and state property.

To overcome this and to help use the national budget and state property economically, the Royal Government is undertaking a number of economy measures to be implemented by all ministries, institutions, provinces, and cities.

1. All ministries, institutions, provinces, and cities must urge and advise sectors, officials, and administrators at all levels under their supervision to be thrifty at all times. They must encourage thrift in all expenditures, avoiding any extravagance, including:

A. The organizing of ceremonies: In organizing national or international ceremonies, meetings to assess or evaluate work results, meetings to solve problems, receptions for national delegates or guests, and so forth, if possible, banquets should be avoided. When spending on decorations or buying something to offer guests, such as drinks, cigarettes, etc., reasonably priced, domestic products should be selected.

B. Use of electricity: In public buildings, particularly office buildings, electric lights, piped water, and air conditioners in each room must be turned off before

leaving the office, with the exception of the electric lights commonly used in each location.

C. Telephone calls: The use of office phones as well as mobile telephones of all types for either internal or overseas calls must be reduced to the minimum by using them only for the most necessary and indispensable work. The Ministry of Economy and Finance must issue a new, appropriate regulation on the use of phones.

D. Use of vehicles and fuel consumption: All vehicles belonging to institutions, ministries, provinces, and cities must be used properly and within reason according to the established rules so as to avoid any misuse for personal interest or in extravagant ways.

E. Use of office equipment: Office equipment such as computers, typewriters, photocopiers, and so forth must be well taken care of and used in a proper and highly economical way.

F. Use of weapons and ammunition: Weapons and ammunition of all types are expensive goods imported from foreign countries with hard currency. This requires that the Ministry of National Defense, the General Staff of the Khmer Royal Armed Forces, and the Ministry of Interior give strict instructions to all armed forces to take care of and properly use such weapons and equipment when fighting the enemy, and not to sell them for their own interests or to fire their weapons for fun during festivities or to use them as a tool for hunting or shooting fish.

G. Projects for important works: Projects that require the allocation of a budget must be arranged in a clear, truthful, and efficient way and in conformity with the time and amount of the work, with responsible persons having strict oversight [words indistinct] making the proposed projects more costly than they really are.

2. The Ministry of Economy and Finance must conduct verifications, using its right to reduce or reject any proposed spending deemed unnecessary or unsuitable.

3. The Inter-ministerial Technical Commission for Public Administration Reform must try to improve the administrative structure in all sections as soon as possible so as to reduce any unnecessary administrative bureaucracy and to adjust, allocate, and use the remaining personnel as effectively and productively as possible, thus enhancing the efficiency and results of the work.

4. Each ministry, institution, province, and city must arrange its own economizing program of work so as to save funds, which will be used in developing the most needy villages and communes.

5. The Ministry of Education, Youth and Sports must include lessons on thrift in lessons in the primary education curriculum.

Upon receiving this circular, all ministries, institutions, provinces, and cities must make it widely known to all

administrative personnel under their supervision so that they can effectively implement this circular according to their respective tasks.

[Dated] Phnom Penh, 28 November 1994

[Signed] First Prime Minister, Norodom Ranariddh;  
Second Prime Minister, Hun Sen

### **Battambang Province Seeks Water To Save Crops**

*BK0112162594 Phnom Penh AKP in French 1003 GMT  
1 Dec 94*

[FBIS Translated Text] Phnom Penh, 1 Dec (AKP)—Battambang Province recently asked the state to activate water pumps in order to save 60,000 hectares of rice fields already damaged by drought. In this way 10,000 hectares can be saved, affirmed an official from the province's Agriculture Service.

Last August and September floods caused by excessive rains [sentence as received]

This season the cultivated area has been increased to 141,000 hectares.

Battambang Province currently has only two pumping stations, one in Chheuteal village, district a mobile water pump [sentence as received]

## **Indonesia**

### **U.S. 'Concerned' Over Growing Textile Industries**

*BK0212092794 Jakarta MERDEKA in Indonesian 2  
Dec 94 p 5*

[FBIS Translated Excerpt] Jakarta, Thursday, MERDEKA—U.S. businessmen have expressed concern over the potential threat of Indonesia's textile and textile products industries, especially the garment industries. Firdaus Ali, director general of miscellaneous industries of the Industries Department, said this after attending the opening of the Indonesian Embroidery Exhibition in Jakarta on Thursday (1 December).

The exhibition, which also featured a fashion show by several prominent Jakarta models, was opened by chairwoman of the Dharma Wanita Civil Servants' Wives Association of the Industries Department. Several leading embroidery experts and designers like Harry Darsono, Ramli, Ina Rakhma, Ghea Sukasah, and Prayudi Armodirjo also took part in the exhibition.

Firdaus Ali said he knew about the U.S. concern from the U.S. delegation led by President Clinton during the APEC [Asia-Pacific Economic Cooperation] meeting in Bogor last month. During talks with several U.S. businessmen and trade officials in Jakarta, it was revealed that the United States was more concerned over the growth of Indonesia's garment industries than that of the PRC.

From the discussions, Firdaus has also come to the conclusion that Indonesian garment producers should improve their products' quality, restructure their organization, and above all else, modernize their machinery. If all these requirements are fulfilled, Indonesian garments are most likely dominate the world market. [passage omitted]

#### **East Timor Governor Meets UN Envoys in Dili**

*BK0212120494 Jakarta Radio Republik Indonesia Network in Indonesian 0700 GMT 2 Dec 94*

[FBIS Translated Text] Justice in Indonesia's youngest province is much better now than during Portugal's colonial rule. The situation in East Timor has improved and the daily life of the people has been more stable since East Timor integrated with the unitary state of the Republic of Indonesia 18 years ago. The international community should clearly and objectively understand the existing situation. East Timor Governor Abilio Jose Osorio Soares stated this to two envoys of the UN secretary general at his office in Dili yesterday evening. The two UN envoys, Francesc Vendrell and Tamrat Samuel, arrived yesterday for a three-day visit to East Timor to seek input for the fourth round of tripartite talks between the minister of foreign affairs of the Republic of Indonesia, the UN secretary general, and the Portuguese minister of foreign affairs, due to take place in early January 1995.

On the occasion, Abilio Soares said the international community has not fully understood the true situation in East Timor since the territory integrated with the unitary state of the Republic of Indonesia. The East Timor people have enjoyed the fruits of various development programs brought about by the integration. The people's living standards have rapidly improved. According to the governor, the international community should see and understand the positive facts.

During the meeting, which lasted almost two hours, Abilio Soares described the incident that took place at Becora Market, East Dili on 12 November as a purely criminal case with no political motives.

Touching on human rights, the East Timor governor said the implementation of human rights in East Timor is now much better than during the pre-integration period. Naturally, those who have enjoyed the facilities extended by the state will be severely punished in accordance with Indonesia's laws if they commit treason against the state.

The two UN envoys are scheduled to meet Dili Bishop Monsignor Carlos Filipe Ximenes Belo, the commander of the Wiradharma Military Area Command, and local chieftains.

#### **Foreign Journalists Expelled From East Timor**

*BK0212063594 Hong Kong AFP in English 0619 GMT 2 Dec 94*

[Report by Jim Della-Giacoma]

[FBIS Transcribed Text] JAKARTA, Dec 2 (AFP)—Indonesia on Friday expelled two more journalists from the troubled enclave of East Timor, including an Australian considered to be an expert on the region's pro-independence movement, the province's military spokesman, Major Laeden Simbolon, said.

The expulsion coincided with a visit to the former Portuguese colony by two UN envoys, who are scheduled to meet with various government officials and community groups.

Simbolon, speaking by telephone from Dili, said of the twin expulsions: "They were found doing journalistic activities which were not appropriate as tourists."

The journalists were named as Australian Jill Rose Marie Jolliffe, 39, and Dutch national Irene Slegt, 35, he said.

In October 1991, the Lisbon-based Jolliffe was denied a visa to visit East Timor with a delegation of Portuguese parliamentarians.

That action resulted in the cancellation of the trip on the eve of the massacre in Dili's Santa Cruz cemetery in November 1991, when between 50 and more than 270 unarmed demonstrators were killed by Indonesian troops, according to the varying tolls.

Simbolon said the two journalists entered Indonesia last month on tourist visas before meeting in Denpasar, Bali where they flew to Kupang in West Timor before travelling overland to East Timor on November 28.

They were arrested on Thursday in Baucau, about 100 kilometres (60 miles) east of the provincial capital of Dili, after raising the suspicions of local authorities in the highly-militarised and closely-watched province.

An immigration official in Dili said Thursday the two were escorted to the airport by the regional head of the department at noon (0400 GMT) for a flight to Denpasar, Bali.

He said they were not being deported from Indonesia, only East Timor as they did not have proper accreditation to work there as journalists.

Last month five journalists were expelled from East Timor for travelling there without proper permission from Jakarta, one Australian tourist was forced to leave for allegedly conducting journalistic activities and two American journalists were stopped at the border from entering the province.

Between November 12 and 24 the province, annexed unilaterally by Indonesia in 1976 in an action not yet recognised by the United Nations, witnessed sporadic civil unrest, often with a pro-independence flavour.

The UN envoys, Francesc Vendrell and Tamrat Samuel, are in Dili to discuss proposals that could be submitted

to a UN-sponsored meeting next month between Indonesia and Portugal about the future status and control of the enclave.

### **Economist Urges More Help for Developing Nations**

*BK0112153094 Jakarta SUARA KARYA in Indonesian 1 Dec 94 p 4*

[FBIS Translated Text] Jakarta (SUARA KARYA): Indonesia should understand the significance of APEC (Asia-Pacific Economic Cooperation) in the context of the region's economic diversity. This was stated by Prof. Bintoro Cokroamijoyo, head of the APEC executive board.

Delivering his address on the Meaning of Economic Cooperation in the East Asia Pacific for Indonesia on Wednesday [30 November], he said: "The Asia-Pacific region builds its strength upon its economic diversity in its development, political systems, and culture."

During his address to the As-Syafi'iyah Islamic University graduates of the third diploma course, which coincided with the university's 30th founding anniversary, Bintoro said there are two issues which should be looked into regarding cooperation between the developed and developing countries.

The two issues are; first, the need to reduce the economic gap between the developed countries and their weaker counterparts. Supporting President Suharto's opinion, Bintoro stressed that the developed nations should extend their assistance to the weaker ones so that the latter can progress.

According to him, the different economic levels that exist within the two groups can be observed in each country's per capita income. There are countries whose per capita income is almost U.S.\$30,000 while, on the other hand, there are others with less than U.S.\$1,000. Second, differences exist between the economically progressive countries and their developing counterparts.

Bintoro, who is also the As-Syafi'iyah Islamic University's resident dean of the economic faculty, said: "No justice will prevail because of the economic differences."

Speaking to the 206 graduates, he said: "Gaining market access is much better than receiving continuous loans. Apart from this, it is of utmost importance that the developed nations draw up a schedule and confirm the principles of market access for the developing nations."

Furthermore, it totally depends on the developing nations themselves whether or not they can benefit from such an opportunity.

Bintoro also reminded Indonesia, a country with 190 million people, that its economy needs to be more competitive—which means that it should be more efficient and productive.

He said: "Unquestionably, protection and subsidies, which are identical with inefficiency, will burden the country's economy and the people will have to bear the consequences."

Also present at the ceremony were Tutty Alawiah, head of the As-Syafi'iyah University Foundation; Sujipto Wirasarjono, rector of the As-Syafi'iyah Islamic University; deputy rectors; and the university faculty deans. THIS REPORT MAY

### **Military Chief Denies Deaths in Bandung Riot**

*BK0212130594 Jakarta ANTARA in Indonesian 1102 GMT 2 Dec 94*

[FBIS Translated Excerpt] Tasikmalaya, 2 Dec (ANTARA)—General Feisal Tanjung, commander of the Armed Forces of the Republic of Indonesia, has said no one was killed in a riot that broke out in Bandung due to a misunderstanding.

He said this in Tasikmalaya on Friday amidst rumors that some people were killed in the Bandung riot.

"Who said there had been casualties? There were no casualties," the armed forces commander said after delivering a lecture before delegates to the NU [Association of Muslim Scholars] congress.

According to press reports, a riot broke out in Bandung following rumors that a tricycle driver died after being hit by a police car. The reports immediately spread throughout Bandung. Within a relatively short period, there were protests that led to the destruction of a number of shops and cars. Some of the damaged cars belong to the local administration.

## **Laos**

### **PRC Congress Delegation Visits 28 Nov-1 Dec**

#### **Khamtai Receives Delegates**

*BK0112164594 Vientiane Vitthayou Hengsat Radio Network in Lao 1200 GMT 1 Dec 94*

[FBIS Translated Text] Comrade Khamtai Siphandon, chairman of the Lao People's Revolutionary Party [LPRP] Central Committee and prime minister of the Lao People's Democratic Republic [LPDR], received this morning a courtesy call from the high-level delegation from the PRC National People's Congress [NPC] led by Comrade Wang Hanbin, alternate member of the Political Bureau of the CPC Central Committee and vice chairman of the NPC. The delegation was on an official visit. Accompanying the delegation was Comrade Vongphet Saikou-yachongtouna, member of the LPRP Central Committee and vice chairman of the National Assembly. Also attending was Comrade Li Jiazhong, PRC ambassador to Laos.

Wang expressed satisfaction over the warm welcome accorded him and his delegation during the visit by

Khamtai and other Lao leaders. He thanked the Lao leaders for the welcome. Wang also conveyed to Khamtai, Comrade Nouhak Phoumsavan, other party and state leaders, and through them to the government and fraternal Lao people, greetings and best wishes of good health and successes in all respects from the party and government leaders and people of China on the 19th Laos national day.

Wang also briefed the prime minister on the outcome of his delegation's visit. He highly assessed the outcome of the visit and wholeheartedly hailed the achievements in all fields won by the fraternal Lao people in the cause of defending and building their country. He wished the Lao people, under the leadership of the LPRP with Khamtai at the head, new success in implementing the resolution of the fifth LPRP congress to build Laos into a peaceful, independent, democratic, unified, and prosperous country with an ever greater role and responsibilities in the international arena.

Khamtai welcomed this visit by the delegation. He noted the visit strengthened further the relations and all-round cooperation between the parties, states, and legislatures of Laos and China. He said: The visit marks a new, firm step in development of relations and cooperation between the two countries.

Both Khamtai and Wang noted with satisfaction that the Lao and Chinese peoples have strived to build and promote relations of friendship. They have assisted each other in carrying out the causes of national salvation and national construction and development for the benefit of both nations and in the interest of peace, tranquility, and cooperation in Asia and the world.

On behalf of the Central Committee, government, and people of Laos, Khamtai expressed profound gratitude to the party, state, and fraternal Chinese people for always supporting and assisting the Lao revolutionary cause.

Wang and his delegation ended their four-day visit and left Vientiane for Hanoi at noon of the same day for an official visit to Vietnam. The delegation was seen off at Wattai Airport by Vongphet, Li Jiazhong, members of the Standing Committee of the National Assembly, and a number of high-ranking cadres.

#### **Press Release Issued**

*BK0212112794 Vientiane Vitthayou Hengsat Radio Network in Lao 1200 GMT 1 Dec 94*

[Press release issued in Vientiane on 1 December on the official friendship visit to Laos by a high-level National People's Congress delegation from the PRC from 28 November to 1 December]

[FBIS Translated Text] At an invitation of the National Assembly of the Lao People's Democratic Republic [LPDR], a high-level delegation of the PRC National People's Congress [NPC] led by Comrade Wang Hanbin,

alternate member of the Political Bureau of the CPC Central Committee and vice chairman of the NPC, paid an official friendship visit to the LPDR from 28 November to 1 December 1994.

During the visit, the high-level NPC delegation of the PRC laid a wreath at the monument of unknown combatants in Vientiane and visited a number of economic and cultural establishments in Vientiane Municipality and Vientiane Province. The delegation was accorded a warm and friendly welcome by the multiethnic Lao people at all places it visited. Comrade Khamtai Siphandon, chairman of the Lao People's Revolutionary Party [LPRP] Central Committee and prime minister of the LPDR; Comrade Nouhak Phoumsavan, Political Bureau member of the LPRP Central Committee and president of the LPDR; and Comrade Saman Vi-gnaket, Political Bureau member of the LPRP Central Committee and chairman of the National Assembly of the LPDR, received and talked in a warm and friendly atmosphere with the delegation. They highly assessed the visit of the high-level NPC delegation and noted that the visit will bring about the strengthening of the relations and all-round cooperation between the parties, states, and legislative institutes of the two countries of Laos and China.

The high-level NPC delegation of the PRC headed by Comrade Wang Hanbin, alternate member of the Political Bureau of the CPC Central Committee and vice chairman of the NPC, held talks with a high-level National Assembly delegation of the LPDR headed by Comrade Vongphet Saikou-yachongtoua, member of the LPRP Central Committee and vice chairman of the National Assembly. The talks proceeded in a warm atmosphere of fraternity, mutual understanding, and trust. In the meeting, the two sides informed each other of new changes of situation in their respective countries. They exchanged views on ways of enhancing, promoting, and expanding in all respects the relations between the legislative organizations of Laos and China; and on ways of further strengthening the solidarity and all-round cooperation between the two countries. They also discussed international and regional issues of common interest.

Comrade NPC Vice Chairman Wang Hanbin of the PRC and Comrade National Assembly Vice Chairman Vongphet Saikou-yachongtoua of the LPDR noted with satisfaction that both peoples of Laos and China have striven to build and make flourish the relations of friendship and have rendered assistance to each other in carrying out the national salvation struggle as well as in the cause of building and defending the countries for their benefits and in the interest of peace, tranquillity, and cooperation in Asia and the rest of the world.

On behalf of the NPC and the Chinese people, Comrade Wang Hanbin wholeheartedly hailed and highly assessed the achievements of the multiethnic Lao people in the cause of national defense and construction, in particular

in promoting and expanding their rights to self-mastery and their rights to ownership of the country—rights explicitly shown in the processes of the legislative institute of the LPDR. Comrade Wang Hanbin wished the fraternal Lao people, under the leadership of the LPRP Central Committee with Comrade Khamtai Siphandon as head, new success in translating into reality the resolution of the fifth party congress to build Laos into a peaceful, independent, democratic, unified, and prosperous country with an greater role and status in the region and in the international arena.

Comrade Vongphet Saikeu-yachongtouna, vice chairman of the LPDR National Assembly, on behalf of the multiethnic Lao people, expressed pleasure over the significant achievements won by the fraternal Chinese people under the CPC's leadership in the cause of defending and developing the advanced and modern country. He also wished the Chinese people new, still greater success in implementing the resolution of the 14th CPC congress to build a prosperous and strong PRC so as to positively contribute to the common cause of the international community and of the nations in the region for peace, stability, independence, democracy, social progress, and cooperation in Asia and the world.

Comrade National Assembly Vice Chairman Vongphet Saikeu-yachongtouna of the LPDR and Comrade NPC Vice Chairman Wang Hanbin of the PRC once again reiterated the aspirations of Laos and China to further promote and expand the relations of friendship and all-round cooperation of mutual benefit so as to contribute to the cause of building Asia into a region of peace, stability, and cooperation.

Comrade NPC Vice Chairman Wang Hanbin of the PRC expressed profound thanks to the LPDR National Assembly and the multiethnic Lao people for the warm, friendly, and fraternal welcome accorded him and his delegation during the visit on this occasion. On behalf of the PRC NPC, Comrade Wang Hanbin invited a high-level delegation of the LPDR National Assembly led by Comrade Chairman Saman Vi-gnaket to pay an official friendship visit to the PRC. Comrade National Assembly Chairman Saman Vi-gnaket of the LPDR, on behalf of the National Assembly, has accepted the invitation with thanks. The NPC will be later notified of the details of the dates and times of the visit through diplomatic channels.

### **Commemoration of 19th National Day Reported**

#### **President Addresses Diplomatic Corps**

*BK0112145494 Vientiane KPL in English 0959 GMT 1 Dec 94*

[FBIS Transcribed Text] Vientiane, December 1 (KPL)—A wishing ceremony was organized today at the Presidential Palace—Ho Kham—on the occasion of the 19th anniversary of the foundation of the Lao P.D.R. [People's Democratic Republic] and the forthcoming

1995 new year, in the presence of the president of the Lao P.D.R., the other leaders and high-ranking officials of the National Assembly and of the government of the Lao P.D.R.

During this ceremony, the diplomatic corps and representatives of the international organizations in Laos presented their congratulations and wishes to the president of the republic, the government and the people of the Lao P.D.R.

President Nouhak Phoumsavan in response to the speech of the acting dean of the diplomatic corps, the ambassador of Poland to Laos, Mr. Marian Ejma Multansky, says: "Today, I am extremely pleased and honoured for the presence of members of diplomatic corps and representatives of international organizations on the occasion of the 19th founding anniversary of the Lao People's Democratic Republic and the forthcoming international new year 1995.

On behalf of the Lao Government and people, and my own behalf, I would like to express our profound thanks for the well-wishes and kind words that his excellency the acting dean of diplomatic corps addressed to me, to the Lao people and to our country.

During the past one year, the Lao people of all ethnic groups, in their solidarity, have concentrated all their efforts in the national development and construction, thus achieving notable results in various domains. As you are well-aware, this year, the climatic conditions are not favourable for the agricultural production in many provinces. The Lao Government and people have strived to surmount these obstacles and to fight against these natural calamities in order to keep damages to the lowest level. At the same time, we continue to follow a policy of encouraging various economic sectors to go along the line of market economic mechanism and actively promote foreign investment, thus contributing to increasing the GDP and improving the living standards of the Lao people one step forward.

The Lao Government and people are happy to note that foreign friends understand and support more and more the policy of national development and construction of our country.

On this occasion, I would like to express our sincere thanks for the considerable and important assistance given to the Lao people in different fields by friendly countries and international organizations that you are honoured to represent.

The year 1995 will be the second year of implementation of the socio-economic development plan as set forth by our government for the period of 1993 to the year 2000. In this respect, we focus on the production of food stuff, commercial products, rural development, human resources development, exploitation of natural resources concerted with the protection of environment and, at the same time, pursue the policy of opening broad foreign

economic relations and cooperation. Parallel with that, we will continue to consistently follow a foreign policy of peace, independence, friendship and cooperation with all countries, irrespective of their political and social regime, on the basis of principles of respect for each other's independence and sovereignty, equality and mutual benefit, contributing together with the international community to peace, stability, friendship and cooperation for development.

The Lao Government and people are convinced and firmly hope that you will continue to make contribution in your own capacity to promote better understanding and to further strengthening of relations and cooperation between the governments and people of your respective countries and your international organisations on the one hand and the Lao government and people on the other hand.

In the forthcoming new year, I would like to ask you to convey my best wishes and greetings to head of states and governments and peoples of your countries and leaders of the organisations that you represent.

May I also take this auspicious occasion to wish you all good health and success in the accomplishment of your noble mission throughout the new year."

#### National Growth Praised

BK0212112394 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 2 Dec 94

[PASASON 2 Dec Editorial: "Hold Aloft the 2 December Spirit in Order To Move Forward the Cause of Restructuring"]

[FBIS Translated Text] Today marks the 19th founding anniversary of the Lao People's Democratic Republic [LPDR]. On this important occasion, the multiethnic Lao people throughout the country are joyously celebrating the historic day of our nation and the achievements made in the cause of defending and building our country. We are also rejoicing over the fruits of the new life under the party's restructuring policy.

The growth of the LPDR in the past 19 years has been attained in a period full of difficulties but one imbued with a high sense of determination and the close unity among our people under the clear-sighted and wise leadership of the Lao People's Revolutionary Party. Due to such development, the tasks of national defense and national construction during the periods prior to and after the implementation of the restructuring policy have been rewarded with numerous great and abiding achievements in various fields. Following almost one year of seeking to fulfill the targets set for the 1993-94 socioeconomic development plan, we can see from the initial outcome of our endeavors that our national economy is continuing to develop at quite a fast pace and is beginning to change in the direction of the new

economic structure of linking the agro-forestry sector with industry and services as outlined by the party and state.

Compared with 1993, our economic development in 1994 has been smoother. Our domestic social production has increased to between 7 and 8 percent—agro-forestry production by 7 percent, industry between 8 and 9 percent, and services 7 percent. The per capita income has increased by between 4 and 5 percent compared with the previous year—an average of U.S. \$335 per head per year. Commodity prices in markets remain stable while the rate of inflation has been kept at between 7 and 8 percent. The total state investment for infrastructure building in 1994 has been raised to 139.5 billion kips—34.1 billion from domestic capital sources and 105.4 billion from foreign sources.

The fruits of foreign cooperation and aid in the 1993-94 fiscal period have yielded a total of U.S. \$211.7 million in financial terms—\$141.7 million of gratis aid and \$70.3 million of loans with low interest rates. Compared with all revenues collected from domestic sources during the same period, this figure appears very large indeed.

In the first nine months of the 1993-94 fiscal period, a total of 104 foreign investment projects from 22 countries have been approved [by our government] with total investment funds reported at U.S. \$443 million so far. Compared with the previous year, in terms of the number of projects and the amount of investment, the investment figure has increased considerably. Of particular importance is the fact that a number of major foreign investors have expressed interest in investing in the development of hydropower sources in Laos. So far, agreements on six projects in this regard have been signed with an approximate investment of U.S. \$4.8 billion. Once completed, these hydropower facilities will be able to generate some 2,558 megawatts of electricity for socioeconomic development in the country and for export. The government is currently studying many major projects of similar nature proposed by foreign investors.

Our education, cultural, and social work has also been simultaneously consolidated and developed.

National defense and public security maintenance work has also been gradually developed and strengthened. The entire ethnic Lao people have united as one to simultaneously implement the two strategic tasks of safeguarding independence and sovereignty and maintaining public security so as to gradually bring about political stability and security in our country.

Another major achievement is that at the eighth plenary session, the party Central Committee adopted a resolution endorsing a rural development program and setting up rural development committees at both the central and regional levels. The program has been successfully implemented with excellent achievements in various localities,

namely, Hom District and Pha Lavek in Vientiane Province and some other areas in Khammouane and Savannakhet Provinces.

Another important work is in the area of consolidating the state administrative organization. This year the government has issued many important decrees, such as a decree on regulations governing state employees, a decree defining ranks and levels for state employees, and a decree defining positions in state apparatuses and other organizations.

The aforementioned achievements have been recorded thanks to the correct policies of our party, the clear-sighted leadership of the party Central Committee and party committees at various levels, and a sense of mastery in managing the state as well as a sense of perseverance of the cadres and people of all strata throughout the country. They are the fruits of the brilliant coordination of the two strategic tasks in safeguarding the new regime and carrying out national socioeconomic development, the upholding of a sense of self-dependence and self-building, the broadening of relations with foreign countries, and the assistance, support, and cooperation made by friendly countries the world over and international organizations and institutions.

The 2 December tradition always gives encouragement to our enthusiastic revolutionary spirit. The more we are proud of our achievements and victories, the more determined we will become to march forward to bring achievements to the restructuring cause outlined by the Fifth Party Congress.

Let our people throughout the country translate the spirit of the 19th founding anniversary of the LPDR into a sense of revolutionary enthusiasm in order to score yet more glorious achievements in implementing the 1994-95 socioeconomic development plan.

## **Bank Governor Reports on Financial Policy**

### **Part I**

*BK0112152894 Vientiane VIENTIANE TIMES in English 28 Oct-3 Nov 94 pp 8, 9*

[First of two parts of a "shortened version of the paper" titled "Financial Policy in Laos" presented by Boutsabong Souvannavong, governor of the Reserve Bank of the Lao People's Democratic Republic, to the "Seminar on Indochina" held in Bangkok in April 1994]

### **[FBIS Transcribed Text] Introduction**

The financial policies adopted by the Lao PDR [People's Democratic Republic] Government in recent years have been formulated within a framework of structural adjustment and by the need to mobilize funds to support the longer-term economic development of the country. While the focus of this paper is on financial sector reforms undertaken since 1988 and the current implementation of these policies, these are but part of a wider

package of overall reform and need to be viewed from this perspective. Other important aspects are regulatory reform, and trade liberalization.

Since 1989, these policies have been formulated under the umbrella of the structural adjustment facilities of the International Monetary Fund, the World Bank and the Asian Development Bank. It is worth noting at this point that the Lao Government's economic reform program had in fact stated as far back as 1980 with the first agricultural sector measures and was given greater impetus by the launching in 1986 of a comprehensive reform program called the New Economic Mechanism. But it was not until 1988 that the reform process was extended to the financial sector.

### **Stabilization and Reform**

In broad terms, the Government's economic strategy is one of achieving macroeconomic stability while pressing on with structural and systemic changes in the move to a market-oriented economy. The goal of stabilization policy is to reduce the fluctuations in the economy and thereby reduce the cost to the economy from these fluctuations. In the Lao PDR, these policies have been directed, in particular, at stabilizing the fiscal balance and the price level. A healthier fiscal balance will be effected by increasing government revenue as a proportion of GDP while maintaining government expenditure at a steady proportion of GDP. A tight monetary policy, effected mainly through a relatively high real interest rate structure and restraints on central bank financing of Government deficits, has led to a significant reduction in inflation in recent years. Monetary control will continue to be emphasized.

The targets for the 1993-95 period are: to achieve average annual real GDP growth of 6-7 percent; to lower the average annual rate of inflation to around 5 percent, which is the rate expected in the Lao PDR's trading partners; to reduce the average external current account deficit, excluding official transfers; to about 9.5 percent of GDP; and to increase gross official foreign reserves to a level equivalent to three months of imports by the end of 1995.

The reforms undertaken have seen significant progress towards: establishing a market-determined price system, increasing the private sector's role in the economy, improving Public resource mobilisation, rationalizing public investment priorities, liberalising the trade system, and developing the financial marketplace.

### **Development Objectives**

To better appreciate the policies that have been adopted, it is first necessary to understand the constraints facing the Lao PDR economy. Although relatively large in land area, the country has a small population scattered throughout the country. Most of these areas have a natural subsistence-based economy. Infrastructure, particularly the communication network, remains limited.

Education levels are low and the workforce lacks the necessary skills. Capital is scarce and the legal system is insufficient.

The guiding principle behind the policies that have been adopted is the need to gradually improve the living standards of the population by transforming the economy from subsistence to commodity-based within a market-oriented framework, and by exploiting the natural resources of the country especially in the areas of agro-forestry, hydro-power, and minerals extraction.

Agro-forestry has been emphasised because of the natural endowments within the country and because around 80 percent of the population rely on subsistence agriculture for their livelihood. It will be important to develop downstream agricultural and forest product processing industries and related services to maximize the value through providing products for export and through the generation of domestic capital. To further assist the development of this sector, the Government has recently established the Agricultural Promotion Bank which will act as an agricultural development bank. Needless to say, the prior development of communication and transportation infrastructure, particularly road access to remote areas, will be essential to the development of these industries and to the economy generally. The Government is well aware of the importance of human resources development, foreign investment and better macro-management to meeting its general development objectives. These objectives will not be met unless the workforce can meet the demands of national development. Accordingly, there is an emphasis on both improving the standards and expanding the availability of health and education services throughout the country. Given the lack of domestic capital and skills, it will be important to attract foreign investment, particularly for agro-forestry and hydropower industries. Policies, laws, and regulations in these areas must promote trust on all sides. The role of the state in macromanagement needs to be more clearly defined. The state should be facilitating the adjustments that are taking place in the economy by creating favorable business conditions and by promoting a spirit of enterprise.

#### **Financial Sector Reform**

The government's market reforms extended to the financial sector in 1988 with the establishment of a two-tier banking system. Before explaining the financial policies that have been adopted in the Lao PDR since 1988, and the objectives of these policies, a very brief overview of the prior characteristics of the financial sector is in order. In this respect, it is useful to distinguish two periods, before liberation in 1975, and from 1975-1988.

#### **Pre-Liberation**

Prior to the creation of the Lao PDR, on December 2, 1975, there were in effect two financial sectors. The liberated zone under the Lao Patriotic Front had its own currency in circulation and there was a mechanism for

distributing funds in every province under its control. The zone under the Vientiane Government contained a central bank, the National Bank of Laos, which had a branch in two major cities, Pakse and Luang Prabang, and six privately owned commercial banks in Vientiane. All provinces under the control of the Vientiane Government had a branch of the National Treasury to implement the state budget.

#### **Lost Liberation Until 1988**

After the liberation of the country, the existing banks were nationalized and all commercial and central banking activities were consolidated into the National Bank of Laos.

In 1981, the name of the central bank was changed to the State Bank. As the name suggests, the Bank was now focused on state activities, such as lending to state-owned enterprises. Only the State Bank could legally extend credit within the country and the State Bank also had exclusive right of note issue and the right to grant loans of any kind.

In 1983, the State Bank was authorised to establish a branch network, which grew to a peak of 96 branches throughout the country in 1987, before the creation of autonomous state owned commercial banks in 1988. The financial sector is best seen as an extension of the Government's fiscal agencies. The main functions of the State Bank were to: act as government treasury, transferring funds from the central to the provincial and district budgets in line with credit and cash requirement plans approved by the National Assembly; extend advances to state agencies; and to provide loans to state enterprises. The State Bank at the central level issued money as per the approved cash plan to service the credit plan, without having much say about the effective use of the cash or the bank credit. All of these actions were the product of a centrally planned economy.

#### **The 1988 Reforms**

The most fundamental aspect of the 1988 reforms was the establishment of a two-tier banking system but the reforms also saw the removal of the large pricing differentials between cash, bank drafts, bank balances and transferred money.

With the conversion of the monobank system into a two-tier banking system in 1988, there was a separation of central banking from commercial banking functions. Over the next few years, all of the former state branches were converted to seven autonomous commercial banks or to branches of these new commercial banks and these banks were given greater autonomy in their day to day decisions.

The separation of central banking and commercial banking functions was formalized with the enactment of a law creating a distinct central banking entity, the Bank of the Lao PDR. The principle objectives of the Bank of

the Lao PDR are (1) to promote and maintain internal and external monetary stability, an efficient payments mechanism and the liquidity, solvency and proper functioning of a soundly based monetary, credit and financial system in the Lao PDR; and (2) to foster conditions conducive to orderly, balanced and sustained economic growth for the prosperity of the Lao people. Under this legislation, the central bank has a monopoly over currency issuance and also has the power to regulate financial institutions.

#### **New Entrants to the Banking System**

The first signal that the Government was prepared to allow new entrants into the Lao financial market was the establishment of a state-private joint venture bank in October 1989, but it was to be just over three years later before the first of the Thai branches opened for the business. The banking sector now comprises seven state-owned commercial banks, six branches of Thai banks, the state-private joint venture, a 100 percent privately-owned joint venture between Lao and foreign interests, and a state-owned agricultural development bank. In addition, there is one general insurance company.

#### **Interest Rate and Exchange Rate Reform**

**Interest rates:** In order to curtail the liquidity expansion that had resulted from the easy access SOEs [state-owned enterprises] had to bank credit at negative real interest rates, and to promote savings mobilisation, the Government adopted a positive real interest rate policy in August 1989. The policy explicitly provided for: (1) interest rates to be higher than the inflation rate, (2) lending rates to be higher than the deposit rates, and (3) long-term rates. The central bank issued a schedule of fixed interest rates to support this policy.

Banks were given more flexibility to set their own rates in July 1991 when the interest rate guidelines were modified by stipulating minimum and maximum rates. Later in the same year, the guidelines were further modified to stipulate only minimum rates. The most recent change was in August 1993 when most guidelines were removed save only for a minimum savings rate and a maximum loan rate.

#### **Exchange Rates**

Exchange controls were in place for much of the 1980s. Export proceeds had to be surrendered and residents were not permitted to hold foreign exchange accounts with the banks. Four different official rates were in use and there was a marked difference between official rates and those in the parallel market. Consequently, few private foreign exchange transactions were conducted through the banks.

The different official rates were unified when the Government adopted a one-rate policy in 1987 accompanied by a very steep devaluation of the kip against the U.S. dollar (kip 92 to kip 350 per U.S. \$1.00). This measure

was followed by the introduction of a more flexible exchange rate regime under which the official exchange rate could fluctuate with changes in the parallel rate. Residents were able to hold foreign currency accounts from October 1989.

#### **Regaining Monetary Control**

Historically, the major impediments to monetary control have been the budget process and the former State Bank effectively acting as a fiscal agent. Prior to being given financial autonomy, SOEs were required to transfer, in advance, to the budget a share of their projected annual profits and an allowance for depreciation of fixed capital. They were also required to make similar transfers as payment for all aid sourced [as published] current inputs given to them by the Government. As such transfers were to be made in advance on the basis of the SOE's production or business plan, they were forced to resort to bank credits.

The Government could implement its budgeted spending as a result of the transferred revenues but if urgent payments had to be made the State Bank often had to make advances to the Government prior to the receipt of such transfers. The most notable case was in March 1989 when the State Bank had to finance salary increase to civil servants. This led to higher inflation shortly after. With the same ease, Government at the provincial level could obtain deficit financing from the State Bank branches.

Under such a budget process, SOEs created liquidity through borrowing and were expected to repay with their operating revenues. However, as their production or trading operations were not market determined, their goods and services often could not be sold. Their debt viz-a-viz the banking system could not be repaid and grew steadily year after year as they had to continue their production and keep workers employed. The situation was not helped by the State Bank lacking sanctions it could apply to customers with overdue debts. SOEs tended to retain much of their cash receipts, in excess of their needs, instead of depositing with the bank in payment of their debt, as prior to the banking reform cash was worth 20-30 percent more than a bank account balance.

So, it was with the aim of curtailing liquidity expansion through easy access to very cheap bank credits by SOEs, due to unrealistic and negative real interest rates, and of promoting savings mobilization, that the Government adopted the policy of maintaining positive real interest rates in the second half of 1989. In addition, quantitative credit controls were also applied to SOEs.

The situation improved in 1990 when the Bank of the Lao PDR was established as the central bank of a two-tier banking system. The Government then had to hand over to the Governor of the central bank the right to issue money. In addition, it had to abide by the central bank law which restricted lending to terms of not more than 3 months.

The monetary control capability was also strengthened when the Bank of the Lao PDR introduced monetary policy instruments, namely, a reserve requirement ratio, a credit window to meet the short-term liquidity needs of Bank as opposed to providing long-term credit, and the six-month central bank securities to absorb excess liquidity. (continued next week).

## Part II

BK0212034794 Vientiane VIENTIANE TIMES in English 4-10 Nov 94 pp 8, 9

[Last of a two part "shortened version of the paper" titled "Financial Policy in Laos" presented by Boutsabong Souvannavong, governor of the Reserve Bank of the Lao People's Democratic Republic, to the "Seminar on Indochina" held in Bangkok in April 1994]

### [FBIS Transcribed Text] Monetary and Financial Sector Policies Today

The remainder of this paper describes in more detail the monetary and financial sector policies currently employed. The reader will note that there has been a transition from solely using direct instruments, such as interest rate controls, to a mixture of direct and indirect instruments. Indirect instruments, such as auctions of Treasury bills, will be increasingly used, but there is no intention to abandon the remaining direct controls at this stage of the development of the financial system.

The broad objectives of these policies are to: (1) maintain the stability of the kip; (2) to improve financial institutions in order to better mobilize funds and use these funds more efficiently to support the longer term development of the country; and (3) to increase the monetization in the economy.

### New Entrants to the Banking System

In allowing new entrants to the banking system, the Government recognizes that a competitive, well developed financial sector will be important to efficient resource allocation within the economy and hence economic growth. The Government wishes to encourage Lao participation but, at the same time, recognizes the advantages of attracting well-run established banks. The importance the Government attaches to financial intermediation can not be emphasized enough. The Government expects all banks to be active in both mobilizing savings and in making loans and to subscribe to Government securities.

### PRUDENTIAL FRAMEWORK

#### Capital Standards

The Bank of the Lao PDR [People's Democratic Republic] has recently completed a view of the capital strength of the state-owned commercial banks. As a result of the view, the Government has decided to inject additional capital into these banks such that the capital

of these institutions is now equal to eight percent of risk weighted assets, in line with the recommendations of the Basle committee on banking supervision. It recognizes that this standard was initially designed for international banks but given that many countries are adopting similar standards the Government saw it a good opportunity to give a signal that it is serious about improving the strength of the Lao PDR financial market and enhancing the credibility of Lao financial institutions. The Bank is now working on formalizing capital adequacy standards for all participants in the industry.

The current requirement of all non-state banks is that they must deposit U.S. \$5 million with the BOL [Bank of Laos] as start-up capital once their license is approved. When the bank commences operation, it may draw down on this deposit subject to maintaining a deposit of ten percent of capital with the BOL at all times.

There is also some protection afforded the industry by way of reserve requirements. However, a reserve requirements regime was introduced in the Lao PDR mainly as a monetary policy mechanism and the scheme was never intended to be a major element of the prudential framework.

### BANKING SUPERVISION

The BOL has a banking supervision unit which currently requires all banks to supply information on the regular basis. The experience of the countries has made us well aware that the stronger the prudential framework, the stronger the financial system. To this end, we have been receiving advice and assistance from the multilateral agencies and other parties on improving our supervisory capacity and on designing specific banking policies to reduce risks in the system. Such policies could cover loan concentrations and loan loss provisioning, for example.

### MONETARY POLICY FRAMEWORK

#### Objectives

The broad objective of monetary policy has been to secure further reductions in the rate of inflation, while recognizing the need for continued credit growth to finance the development needs of the country, as long as this credit growth did not compromise attaining the targeted inflation rate.

Monetary control, and hence the inflation outcome, has been effected by a continuation of the relatively high real interest rate structure and by limiting the central government's access to credit from the banking system. Credit growth is also constrained to some extent by the reserve requirements regime. The Bank has also sold its own securities as a means of removing excess liquidity from the financial system.

#### Interest Rate Policy

Interest rate guidelines have been the main monetary policy instrument. Most of these controls were removed

in July 1993 such that the only controls that remain are a minimum savings deposit rate and a minimum lending rate. The rationale for the removal of most of the controls was to secure the benefits of interest rate liberalization to create a more competitive banking environment which should lead to better resource allocation, greater efficiencies within individual bank and the provision of improved, and the wider range of financial services.

The levels of the remaining interest rate controls were chosen to ensure a positive real return to savers so as to continue the trend of greater intermediation by banks and to keep downward pressure on inflation. It was considered desirable to impose a maximum lending rate to prevent excessive margins but, at the same time, giving bank plenty of freedom in developing a competitive approach. The Bank considered that it would not be wise to limit gross margins to the levels commonly seen in more developed industries as the BOL did not want to encourage commercial banks to be overly aggressive at this stage of the development of the financial system in case the strength of financial institutions was undermined, particularly when the BOL's prudential framework is itself still under development. The BOL is also well aware that lending at high interest rates can pose its own risks as banks are lending on projects with higher risk profiles. It considers that the gross margin of around 10 per cent, based on a 12 month fixed deposit, is more than ample and the BOL would hope to see banks being more willing to compete in the future.

#### **Reserve Requirements**

Each licensed bank is required to hold average daily reserves equal to 5 percent of deposit liabilities. The calculation of the required amount of reserves for any period is based on the deposits over the previous four weeks.

While the opportunity was there to make more active use of reserve requirements as a monetary policy instrument, particularly once the interest rate environment became more liberal, the BOL decided to develop financial instrument that it could use in the financial marketplace.

#### **Central Bank Securities**

To date, if the Bank wanted to remove excess liquidity from the financial system, it has issued its own paper. Seven issues of BOL securities have been made since November 1991. Serious consideration was given to making auctions of central bank securities the main instrument of monetary control, but preference was given instead to developing a Treasury bill market. It is clearly in the interests of the central bank to have the Ministry of Finance issue debt in the domestic market rather than have recourse to central bank credit. Issuing central bank securities alongside Treasury bills would have hindered the development of a Treasury bill

market. Negotiable treasury bills are an effective instrument for open market operations and the BOL's objective of developing the financial marketplace is just as well served by developing a treasury bill market as opposed to a market in central bank paper.

#### **Treasury Bills**

The first Treasury bill auction was held on 10 March 1994. Auctions are to be held at regular intervals. Before the central bank can take the next step and buy and sell these bills in open market operations in the secondary market, it will be necessary to have issues sufficient bills in the primary market. Only once the market is sufficiently liquid will it make sense to talk of a market price.

#### **Credit Window and Discount Window**

One of the features of the Treasury bill issues is that they will be discountable at the central bank.

The discount window will be the only means of securing funds from the central bank and will replace the existing credit window. There were drawbacks with the operation of the credit window in that it did not place enough discipline on individual banks to manage their liquidity and it was potentially inflationary.

#### **Exchange Rate Policy**

The Bank recognizes that the stability of the kip has been an important factor in building business confidence. Nevertheless, exchange rate policy is not directed at achieving this stability as an end in itself. The Bank considers that, over time, exchange rate stability will be more a function of control over domestic prices and sound macroeconomic policies overall.

By and large, the exchange rate is free to float but the Bank does on occasion participate in the foreign exchange market. From time to time, the Bank has sold small amounts of foreign currency but only when it considers that there was the likelihood of exchange rate volatility in the absence of such sales. The bank is also committed to increasing the official reserves of the Lao PDR and this is the overriding consideration in any bank participation in the foreign exchange market.

#### **Further Financial Reforms**

Financial sector reform will proceed on three fronts: strengthening the prudential framework, developing the financial marketplace and adapting the central bank's monetary policy implementation to reflect the changes in financial sector.

The Bank recognizes that it will have to take a leading role in the development of the marketplace. The development of Treasury bill market should be seen in this light. Once participants are comfortable with this market and there is sufficient liquidity in the market, other maturities of Treasury bills can be considered. The experience gained from trading short-term securities,

where the price risks are lower, can then be used to develop riskier instruments such as long-term government bonds, commercial paper and equities.

#### CONCLUSION

To summarize, the Lao PDR Government is committed to the development of the financial system because it is well aware that a well developed financial system is crucial to the continued development of our country. The task for central bank, at this point in time, is to maintain monetary control, while promoting the development of financial instruments and markets and also strengthening its prudential oversight of the financial system.

### Philippines

#### Ramos Confident of Senate GATT Approval

*BK0112145694 Quezon City PTV-4 Television Network in Tagalog 1000 GMT 1 Dec 94*

[FBIS Translated Text] President Fidel Ramos today expressed confidence that the Philippines would follow the U.S. House of Representatives' ratification of the Uruguay Round [UR] of General Agreement on Tariffs and Trade. The U.S. Senate also signified that it would ratify the world trade pact.

Earlier, five of the six-member Association of Southeast Asian Nations ratified GATT. The president reiterated the importance of the Senate's urgent action on the matter.

[Begin Ramos recording in English] I will also like to emphasize that an examination of the signatories to the agreement—and there are now some 36 countries that have ratified according to World Trade Chief Peter Sutherland in Geneva yesterday—that it will show that membership is characterized by a diversity of development levels. Both developing and developed countries are seeking to be a part of UR-GATT. And therefore, this is categorical proof that those countries with which we share a common concern in terms of development see it in their national interest to ratify UR-GATT. [end recording]

#### GNP Increases 5.9 Percent in 3d Quarter

*BK0112145894 Quezon City PTV-4 Television Network in Tagalog 1000 GMT 1 Dec 94*

[FBIS Translated Text] President Ramos today reported the continued growth of the economy. In his weekly press conference in Malacanang, the president said the gross national product increased 5.9 percent for the third quarter of 1994, while the gross domestic product increased 5.1 percent for the same period.

The president stressed that this is due to the improvement in the agriculture sector, which registered a 9 percent growth, attributed to good weather from July to September

[Begin Ramos recording in English] The highest performers—and this is unprecedented—are in the agriculture sector which delivered an all-time high of 9.0 percent growth during the third quarter. And this probably is due to good weather during the period from July to September, relatively speaking, although that was the typhoon season. But I'm also seeing increased yield in rice production. Corn follows rice very closely in terms of growth rates.

Industry improved by 4.9 percent, compared to 4.2 percent last year. And the best performers are construction and utilities. Services grew at the rate of 3.6 percent, compared to 3.2 percent for the same period last year. [end recording]

#### Central Bank Notes Balance-of-Payments Surplus

*BK0212075194 Quezon City PTV-4 Television Network in Tagalog 0500 GMT 2 Dec 94*

[FBIS Translated Text] The Central Bank today reported that the government incurred an \$831 million balance of payments surplus for the second quarter of this year. According to Central Bank Governor Gabriel Singson, this is due to the increase in nonmerchandise trade, remittance from Filipino overseas contract workers, and investment inflows. Singson said the current balance of payments surplus is higher than last year's \$143 million. He added that foreign investments in the country has reached \$826 million.

#### Mindanao Insurgency Reported Under Control

*BK0112143594 Quezon City PTV-4 Television Network in Tagalog 1000 GMT 1 Dec 94*

[FBIS Translated Text] The Mindanao insurgency has substantially collapsed due to the government's intensive campaign against the communist rebels. Defense Secretary Renato De Villa reported this to President Ramos. De Villa said that the communist movement has been gradually dismantled since 1985. This has been helped by internal squabbles and infighting over positions among the movement's leaders.

Regarding the Abu Sayyaf threat, De Villa assured the president that the armed forces have the situation under control and that normality will be restored in Basilan.

### Thailand

#### Officials Fear Delay in WTO Ratification

*BK0112143294 Bangkok THE NATION in English 1 Dec 94 pp B1, B2*

[FBIS Transcribed Text] Thailand may risk losing its founding status in the new World Trade Organization (WTO) if it fails to complete Parliamentary ratification of the agreements reached at Marrakesh before the current House session ends within the next few weeks, officials said.

Concern arose after Commerce Minister Uthai Phimchaichon abruptly withdrew the Parliamentary ratification of the WTO from the House agenda yesterday to make way for consideration of immediate domestic political issues.

At the same time, US Ambassador David Lambertson went to the Commerce Ministry's headquarters yesterday to inform Deputy Commerce Minister Chaiyot Sasomsap that the US House of Representatives voted in favour of the Gatt agreement, with a vote of 288-146. Lambertson also expressed confidence that the Senate will pass the Marrakesh ratification on Thursday.

Officials said Deputy Prime Minister Suphachai Phanitchaphak was scheduled to present the amended custom code bill and the bill concerning the WTO status yesterday before the House session. Without advance notice, Suphachai, however, learnt that the agenda were suddenly postponed when he reached the Parliament building yesterday morning.

Parliament decided to postpone the WTO ratification to next week. As such officials fear that if the parliament fails to ratify the customs code bill before the WTO is set up, Thailand would miss the opportunity to take part in the setting up of the WTO or the General Agreement on Tariffs and Trade (Gatt), scheduled to be implemented in January next year.

The current House session, which is due to end late December, seemed to be preoccupied by several immediate issues such as the pay scale for civil servants and the land reform controversy. If the MPs were too preoccupied with domestic issues, officials warned, they could put the country's external trade in peril.

Tirana Phongmakaphat, advisor to Suphachai, said that Thailand needs to transform the surcharge into the quota tariff system before Jan 1995 in order to qualify to become a WTO founding member. The shift is also required by Gatt. He explained that the country's current customs legislation is outdated.

Moreover, Parliament needs to approve the WTO-appendaged bill to endorse the WTO as a corporate entity. The agenda of the two bills, however, were abruptly withdrawn from yesterday's house session.

An official source said if the house fails to ratify the WTO on time, it might leave Deputy Prime Minister Suphachai Phanitchaphak in an embarrassing position when he attends the Gatt ministerial meeting in Geneva next week.

Despite its passage in the US House of Representatives, however, Tirana expressed his opposition to an initiative from US Senator Robert Dole to set up a judges' panel to review all rulings by the WTO that go against the United States.

He said that the planned panel was an indirect threat to the multilateral trade system in the sense that the multilateral organization has to take the American benefit into serious consideration before ruling on any trade dispute.

This is because, according to Dole's initiative, if the planned panel decides that the WTO has exceeded its authority three times within five years, Congress can vote to withdraw from the WTO.

Deputy Permanent Secretary to Commerce Karun Kit-tisathaphon shared the same view. He said the planned panel is "unacceptable" for smaller Gatt members like Thailand. He said although the planned panel is under American sovereignty, it sends a negative signal to the rest of the world.

"The Americans should act as leaders to support the Gatt bill, providing the EU and Japan are closely monitoring what's happening in the United States. If the Americans fail to do so or set any unfair condition, they would certainly weaken the multilateral trade governing body," he noted.

At any rate, Karun welcomed the passage of the Gatt bill by the US Congress lower house. He expects that the US upper house will do so when they vote on Thursday.

Speaking after meeting with Lambertson, Chaiyot, meanwhile, said that Lambertson welcomed the Thai Parliament's endorsement to apply for WTO membership last week.

On the bilateral issue, Lambertson asked Chaiyot about the latest progress of the labour law concerning the rights of state enterprise workers. The US linked the labour rights issue with the US decision to grant tax concessions to Thai exports under the Generalised System of Preferences (GSP).

Chaiyot said the new draft of the State Enterprise Relation Act is waiting to be submitted to Parliament. He noted that the process might take time because the constitutional amendment is still being debated in the Parliament.

The United States recently removed Thailand from the priority watch list (PWL) after the copyright law was passed by Parliament, and it promised to return tax privileges under the GSP program on some particular items which were suspended in 1989 due to Thailand's poor performance in intellectual property rights protection.

Labour rights became an issue after the National Peace-keeping Force seized government power and demolished the trade unions in 1991.

Chaiyot said he asked the US government to return GSP (which covers Thailand export products worth about Bt20 billion) as soon as possible.

#### **Thai-Burmese Joint Commission Meets in Bangkok**

*BK0212075394 Bangkok BANGKOK POST in English  
2 Dec 94 p 10*

[FBIS Transcribed Text] Thailand has urged Burma to upgrade border checkpoints and allow deeper penetration into Burma from its border with Thailand, a senior official said yesterday.

Deputy National Security Council Secretary-General Khachatphai Burutphat said Thailand would like an agreement on the matter "as soon as possible" because smuggling across the Thai-Burmese border is a major problem for the two countries.

The disclosure came after the conclusion of the second meeting of the Thai-Burmese Joint Commission which was chaired by Foreign Minister Thaksin Chinnawat and his Burmese counterpart Ohn Gyaw.

Thailand would like to upgrade three existing border checkpoints—Keng Tung-Chiang Rai, Myawaddy-Mae Sot, and Kawthaung-Ranong—and obtain permission for Thais to travel deeper inside Burma from these checkpoints than the current five-kilometre limit.

According to a Thai official, Thailand and Burma set up a working group on the question when Deputy Foreign Minister Surin Phitsuwan visited Rangoon last month.

But Burma has given various reasons for why it is not ready to agree to the idea, including problems with its customs and immigration facilities and its roads.

In an opening address to the Joint Commission meeting yesterday, Mr Thaksin said Thai-Burmese relations were "developing in a very satisfactory manner".

But he stressed that the two countries had to look beyond their immediate borders if they were to enjoy peace and prosperity.

"We see Myanmar's [Burma's] presence at the 27th ASEAN Ministerial Meeting not only as a prelude to closer relations between Myanmar and ASEAN, but also as an important first step towards a truly cohesive and all-encompassing Southeast Asian community," Mr Thaksin said.

Mr Ohn Gyaw for his part emphasised that "one can choose friends, but not neighbours. Since our two countries have been determined by geography as neighbours, Myanmar takes great care that we both remain good friends as well.

"We will contribute our full share of cooperation amongst the countries in the region leading towards a new era of peace and prosperity in Southeast Asia."

The meeting discussed Thai proposals for the two countries to sign agreements on investment protection, exemption of double taxation and cooperation between investment boards.

Burma wants time to consider the proposal for an investment protection agreement because it would be the first of its kind that it would sign with a member state of the Association of Southeast Asian Nations (ASEAN), the source noted.

Yesterday's discussions, which ended sooner than expected, also covered cooperation in forestry, fishery, narcotics suppression and border demarcation.

They did not however cover construction of the Salween Dam, which Thailand is keen to push forward as a source of electricity.

The Burmese side said it would forward a construction plan proposed by Thailand to the energy ministry in Rangoon.

On forestry, Burma reiterated its ban on the export of logs and permission for export of processed wood.

It reiterated its willingness to consider granting fishing concessions to private companies provided they invested in three out of five related industries namely cold storage, ice making, fishmeal, tinned fish and shrimp farming.

The two sides agreed on the need to continue cooperation in narcotics suppression.

#### **Chuan Queries Burmese Minister on Local Issues**

*BK0212080594 Bangkok THE NATION in English  
2 Dec 94 p A5*

[Report by Yindi Loetcharoenchok]

[FBIS Transcribed Text] Prime Minister Chuan Likphai yesterday reiterated his desire for the release of Burmese opposition leader Daw Aung San Suu Kyi, saying that her freedom would help resolve other political problems in Burma.

During a 45-minute meeting with visiting Burmese Foreign Minister U Ohn Gyaw, Chuan also showed his interest in the political, economic, ethnic and human rights situation in Burma, asking several questions including about the progress of the drafting of a new constitution, dialogue between Aung San Suu Kyi and junta leaders, Burmese political prisoners and peace talks with armed ethnic groups.

It is the second time that the premier has directly raised these issues with senior Burmese authorities. He expressed similar opinions when Ohn Gyaw was here in July to attend the annual meeting of ASEAN foreign ministers.

Government officials said Chuan had "smoothly and diplomatically" raised the issues during a 45-minute meeting yesterday with Ohn Gyaw, citing the international community's concern to legitimize his questions.

"The premier told U Ohn Gyaw that Thailand has often been asked (these questions) by the international community and that he wanted to learn from the Burmese minister directly so that he could reply to them," a senior government official said.

The premier said that if the ruling State Law and Order Restoration Council (Slorc) could resolve the issue of Suu Kyi, now in her sixth year of house arrest, then other political problems would become a minor agenda, the official said.

Chuan spoke through an interpreter. Ohn Gyaw had replied that the talks so far between Suu Kyi and Siorc leaders Gen Than Shwe and Lt Gen Khin Nyunt, in September and October, took place in a "very amicable, father-daughter and brother-sister" atmosphere, the official said.

The Burmese minister fell short of saying when Suu Kyi, the 1991 Nobel Peace Prize laureate, would be released saying only that there would be further dialogue.

Another senior government official said Chuan had asked if "the new Burmese constitution will resemble that of Indonesia", which endorses the military's role in national administration. The Burmese minister had replied that "it is not exactly identical," said the official, who asked not to be identified.

Ohn Gyaw explained that four out of 15 chapters of the new charter, including the election and qualification of the president, were completed and that the drafting process was making good progress.

Chuan asked the Burmese minister about Burmese policy towards ethnic minorities and Burmese refugees sheltering along the border in Thailand. He said Thailand had been criticized for its refugee policy by private aid agencies. The refugee problem could create a misunderstanding between Burma and Thailand, he said.

Ohn Gyaw had expressed his understanding of Thailand's situation, but said Siorc had "halted its military offensives along the border since 1992 so there should not be any reason for those Burmese to flee into Thailand", the official said.

Siorc, according to Ohn Gyaw, was giving priority to economic development. Latest figures showing rice exports had risen to one million tonnes for the first time in 15 years were an indication of its success.

Chuan accepted an open invitation to visit Burma and said he would "work out an appropriate time for the trip," according to the official, who oversees Thai-Burmese affairs and policy.

U Ohn Gyaw and Thai Foreign Minister Thaksin Chinawatt yesterday opened and closed the first meeting of the Thai-Burmese Joint Commission. Topics discussed included ways to enhance economic cooperation in the fields of energy, transportation and communications, forestry and fisheries, tourism and cultural activities, banking, and trade and investment.

The meeting agreed to make the three temporary border checkpoints—Mae Sai-Tachilek, Mae Sot-Myawaddy and Ranong-Kawthaung—permanent, and that a joint working group will meet in January to "synchronize and regulate" immigration and customs procedures.

U Maung Aung, director-general of the Burmese Immigration Department, said the checkpoints would "soon" operate as permanent crossings, allowing entry to Thais and foreigners.

Visas could be obtainable at the border and foreign tourists would be permitted to travel into Burma as part of a campaign to promote the 1996 Visit Burma Year.

The joint commission also agreed to regulate border trade through a bilateral agreement to be signed by the relevant ministers after details had been worked out. Cross border trade accounts for 75 per cent of Thai business with Burma.

### **Indochina Fund Modeled After Japanese Aid Plan**

*BK0212081094 Bangkok THE NATION in English  
2 Dec 94 p B14*

[Report by Watchara Charunsantikun]

[FBIS Transcribed Text] The Finance Ministry has said for the first time that Thailand's Indochina Fund will be a copy of Japan's Overseas Economic Cooperation Fund (OECF) and will make US-dollar loans to three Indochinese countries and Burma only.

Somchai Ruchuphan, director-general of the Fiscal Policy Office, told THE NATION that by following the model of Japan's OECF fund, Thailand's Indochina Fund will grant soft loans for Vietnam, Laos, Cambodia and Burma mostly to finance much-needed infrastructure projects.

The fund itself will mobilize its finances from two sources: Thailand's international reserves which currently stand as high as US\$30 billion; and the government budget.

By using the country's international reserves, the fund will be operated openly under public scrutiny. It is also subject to parliamentary debate when part of its funds are in the form of a governmental budget, Somchai said.

The move to establish the Indochina Fund reflects a vivid attempt by both the Finance Ministry and the Bank of Thailand to turn Thailand into a financial centre.

Somchai said five authorities will supervise the soon-to-be established Indochina Fund. Aside from the Finance Ministry and the Bank of Thailand, the other three are the Ministry of Foreign Affairs, National Economic and Social Development Board and the Budget Bureau.

"They will make sure that the Indochina Fund lends money in proportion to the government's financial status," Somchai said.

Ruangchai Marakanon, Bank of Thailand's deputy governor, said the central bank is poised to support "out-out" lending under the Bangkok International Banking Facility (BIBF) to channel loan borrowed overseas to the four countries via the Indochina Fund.

This way, BIBF could be more active in more "out-out" lending, or fund borrowed abroad for lending overseas. As of September 1994, BIBF outstanding loans reached

Bt480 billion, of which more than 80 per cent are "out-in" loans or those borrowed overseas to be lent locally. About 42 Thai commercial banks, branches of foreign banks and new foreign banks are actively lending under the BIBF.

"If this works, we may consider opening BIBF licences for a second time," Ruangchai said.

In the latest attempt to enhance prudential banking under BIBF, the Bank of Thailand last month also issued a new rule to control BIBF banks' foreign exchange lending, Ruangchai said.

Coming at a time when lending particularly from the foreign exchange side, is growing sharply beyond the official target, the rule requires banks to cut, from their asset side on the balance sheet, any foreign exchange loans which fail to produce repayments after seven days and re-book them as liabilities instead.

According to Ruangchai, the new rule would not much affect foreign bank branches and new foreign banks under the BIBF. "But the rule will hard hit Thai commercial banks which are accustomed to cutting foreign exchange loans from their assets much later after customers fail to pay," he said.

To let Thai commercial banks, which normally cut foreign exchange loans from their assets every 21 days, live comfortably amid the new rule which requires faster action after seven days, Ruangchai said the central bank has agreed to give a grace period for the banks to adjust.

### **Papers View Slaying of Thai Workers in Cambodia**

BK0212113094

[FBIS Editorial Report] Bangkok THAI RAT in Thai and Bangkok SIAM POST in Thai on 1 December carry editorials commenting on the recent killing of Thai nationals, employees of a Thai logging company, inside Cambodia.

THAI RAT's 350-word editorial, on page 3, entitled: "The Mass Murder of Thai Nationals in Cambodia," reviews reports on the recent slaying of a number of Thai nationals, employees of a Thai logging firm, inside Cambodia.

The editorial notes: "Ironically, the Thai Government and the Foreign Ministry have not shown any response to the mass slaying of the Thai nationals in Cambodia. The company that sent those workers to be killed in Cambodia still remains silent as if the matter were nothing important and only an affair between the company and its workers. The fact is that this is an important matter that can affect relations between the two countries.

"Several factors are involved with the deterioration of relations between Thailand and Cambodia. The problem first popped up when Phnom Penh accused Thailand of supporting the Khmer Rouge and later involving in the

abortive coup that resulted in the illegal entry into the kingdom of a coup plotter, General Sin Song, and his colleagues."

The paper notes: "Naturally, the Khmer Rouge are the suspected culprits in this case because the killings took place in the area under their control. It is generally known that the Khmer Rouge is the most cruel faction in Cambodia. It slaughtered millions of Cambodians during a few years of its rule.

The government and the logging company must tell the people which Cambodian faction killed those Thai nationals and the real cause of the bloodshed. The government must sever all relations with the Khmer Rouge while the private sectors are prohibited to conduct any trade with them so that they will not be able to do any harm to Thailand again."

SIAM POST's 400-word editorial, on page 4, entitled: "The 17 Victims of the Khmer Rouge," stresses that "the Cambodian Government must show its sense of responsibility by finding out the truth.

"Otherwise, the slaying of the 17 Thai nationals will further confuse the world population. The slaughter took place in Cambodia, the Cambodian Government must conduct the investigation, arrest the culprits, and bring them to justice. The Thai Government now is unable to interfere in this matter."

The editorial concludes by saying: "It is generally known that the Cambodian Government has received military support from the United States and Australia and is now making preparations for a major offensive against the Khmer Rouge in many areas during this dry season. Heavy fighting is expected to break out in many areas. At any event, the Cambodian Government cannot simply waive its responsibility for the death of the 17 Thai nationals."

### **Vietnam**

#### **Vo Van Kiet Meets With Leaders From South**

BK0212100694 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 1 Dec 94

[FBIS Translated Text] Dear friends; during 30 November and 1 December in Can Tho, Prime Minister Vo Van Kiet chaired a conference that discussed measures to overcome the consequences of the floods and the plan for socioeconomic and budgetary projects in 1995 for the provinces in the Mekong River Delta. Attending the conference were leaders of 11 provinces in the Mekong River Delta region and 15 central level ministries and sectors.

In implementing the decisions of the prime minister and the directives of the [party Central Committee] Secretariat, all central level ministries and sectors have been earnest and prompt in handing over government aid and subsidies to the localities. The localities concerned have also satisfactorily fulfilled the tasks of mobilizing the masses to help

the flood victims. By 25 November, a total of aid worth nearly 90 billion dong has been achieved, including 63.5 billion dong from budget subsidies. The banking sector has transferred 300 billion dong to the localities concerned—which was twice as high as the sum recommended by the government—to be used as loans at interest rates of under 2.5 percent per month.

The provinces concerned praised the state for its prompt and timely aid for the people affected by the floods to help them resume their normal lives. The provinces also presented measures used in their respective localities to boost the 1994-95 winter-spring crop planting season.

Speaking at the conference, Prime Minister Vo Van Kiet hailed the efforts of the provinces in coping with the consequences of the floods, and gave directions to the provinces to help resolve some urgent and immediate issues such as measures to prop up production from the winter-spring planting season and to efficiently prepare for and increase the cultivated area for the next summer-fall planting season. Regarding the development of fruit orchards, the localities need to urgently and thoroughly reorganize the types and species of fruit trees, and upgrade unproductive orchards. All fruit orchards must be protected by dikes.

In the Long Xuyen Quadrangle area and the Plain of Reeds, local authorities should continue to provide help in terms of boats and fishing nets so that people can have the basic means for earning their living. Regarding public health and education, the ministries concerned should work with the localities to quickly return people's lives to a state of normalcy, prevent the emergence of epidemics, and let children back to schools early so they can catch up with students elsewhere.

On long-term measures to help the Mekong River Delta region keep pace with other regions in the countries, Prime Minister Vo Van Kiet stressed:

[Begin Vo Van Kiet recording] According to the general development plan of the Mekong River Delta region and the government decision made in the recent conference in Long An, tasks have been allocated to ministries as follows: the Ministry of Water Conservancy is responsible for draining flood water in major areas such as the Long Xuyen Quadrangle area, the areas along the coast, Long My, Vi Thanh, up to Rach Gia, Long An, and Tien Giang. The highest flood level of each area should be recorded for later use in the construction of roads, houses, and depots. I recommend that localities build embankments to shelter the summer-fall rice fields and fruit orchards for the purpose of diverting the main flood streams. The Ministry of Agriculture and Food Industry should determine planting season schedules and calendars, and make plans for fruit orchard locations and other medium- and long-term industrial plants. The Ministry of Construction in conjunction with the Ministry of Labor, War Invalids and Social Welfare will do research on suitable types of residential and public housing and commune arrangements, including houses,

schools, medical stations, store houses, and even cemeteries and animal dens. We should work out designs for houses in areas which are regularly flooded. People should be living in groups and not in the old way of one or two households in a vast area, as it makes things difficult for the welfare and education services as well as facilities such as electricity, water supply, and so forth. The process of industrialization and modernization in agriculture also requires concentrated housing. I think it is now time for the Ministry of Construction to consult with local authorities in the Mekong River Delta region on the building of two or three establishments producing pre-cast concrete house frames. Local people can use and refine the frames as they like, for example, they can cover them with timber or other decorative materials or tiles. But the main frames of houses should be made from concrete as that is considered the basic step in the process to have all people's houses built of brick with tiled roofs, especially in the areas which suffer from regular floods. We should strive to prevent the situation in which floods interrupt children's schooling, cause medical stations to cease operations, and force people to move around without any settled place to live. I recommend that the ministries, sectors, and localities concerned now consider very seriously ways to implement these programs. The issue of improving housing conditions for the people living in the Mekong River Delta region has always been one of our most fervent dreams, and now that we have more favorable conditions than before, we should make it our goal. [end recording].

#### **Government Office Holds Regular News Conference**

*BK0212135494 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 2 Dec 94*

[FBIS Translated Text] Yesterday afternoon [1 December] at the Unification Palace in Ho Chi Minh City, nearly 100 representatives of press, radio, and television agencies in Ho Chi Minh City and other southern provinces attended the regular news conference held by the Government Office.

At the news conference, Government Office Minister Le Xuan Trinh announced a number of urgent issues and tasks on which the government is directing the implementation from now until the end of 1994 regarding production, trade, finance, economics, external relations, culture, social, education, national defense, internal security, law and regulation drafting plan, administration reforms, and government import-export policy in 1995.

The minister praised the centrally managed papers and local papers of southern provinces for their timely reports on activities of the government in the last two months, especially on the National Assembly's sixth session, the national campaign to gather aid for flood victims in the Mekong River Delta region, and the elections for delegates of three-level people's councils.

## Australia

### Canberra Welcomes U.S. Passage of GATT

BK0212055194 Melbourne Radio Australia in English  
0500 GMT 2 Dec 94

[FBIS Transcribed Excerpt] President Clinton says the passing of the General Agreement on Tariffs and Trade is a bipartisan victory for America, moving the country into the next century. New York correspondent, Philip Laska, says the president was hailing his most recent victory on trade. [passage omitted on both Congress and Senate passing the GATT and President Clinton's remarks] The Australia Government has welcomed the United States' decision. Australia's trade minister, Bob McMullan, says the substantial vote in favor in the American Congress (?will bode) well for the new World Trade Organization which will take over from GATT. Senator McMullan says it's also a good sign for the start of trade liberalization under the Uruguay Round agreement from January next year. He says world trade will be set on a sound and more secure footing (?bringing) prosperity and development worldwide, and he says it will also provide a sound platform for free trade in APEC, the Asia-Pacific Economic Cooperation forum.

## Solomon Islands

### Surveillance Force for Security Under Development

BK0112091594 Melbourne Radio Australia in English  
0500 GMT 1 Dec 94

[FBIS Transcribed Text] Solomon Islands Government is to develop a new reorganized national reconnaissance and surveillance force to oversee national security. The announcement was made as the Solomon Islands Government protested to Port Moresby over two alleged border incursions by Papua New Guinea forces earlier this week.

The force to be developed between 1995 and 1998 will also be used in peace time to carry out civil work and help in natural disasters. The proposal is part of a program of action by the government led by Solomon Mamaloni.

At present, national reconnaissance and surveillance comes under the Police and National Security Ministry, but the new body will be split from that department.

## Tonga

### Agriculture Minister Discusses Sandalwood Exports

BK0112035294 Hong Kong AFP in English 0303 GMT  
1 Dec 94

[Report by Michael Field]

[FBIS Transcribed Excerpt] Auckland, Dec 1 (AFP)—Sandalwood is making a comeback as an export in the South Pacific where, a century and a half ago, European traders plundered islands and atolls for the aromatic timber.

In the early 19th century, discoveries of sandalwood brought disaster to indigenous people who got in the way. According to one historian, within a few years, there wasn't a stick of sandalwood left in the region.

The government-owned TONGA CHRONICLE reports in its latest issue that a Taiwan conglomerate, Sheang Diing, is buying sandalwood, highly prized in imperial China, from Tonga.

Tiani Fulivai of the Tongan company Tiani Export and Import Company told the newspaper they had sold 560,000 US dollars' worth of sandalwood to Sheang Diing. The firm is also seeking the wood from Niue, Vanuatu and Fiji.

Sheang Diing president Douglas Huang said they were also providing funds to support an experimental scheme to plant the trees.

In ancient China, high-quality sandalwood was used in furniture and housing decorations while inferior wood was ground into powder and made into incense for religious ceremonies.

The newspaper said sandalwood no longer grew abundantly as it once did, and in 1980 sandalwood exports from Tonga were banned.

Ministry of Agriculture official Sulunga Lavaka told AFP in an interview that increasing numbers of mainly Asian traders were seeking permits to take sandalwood from 'Eua, southwest of the main island of Tongatapu.

There were also large sandalwood standings on the uninhabited islands of 'Ata and Tofua but these were national reserves.

Lavaka said at current rates of exploitation sandalwood supplies would last 10 to 15 years on 'Eua but the government intended to control it so that this time around sandalwood would be a sustainable resource. It takes at least 20 years for a sandalwood tree to mature.

"The ministry has authorized only certain people to cut sandalwood and the tree must be of a certain height and diameter before it can be cut down," he said.

"Each year we will only allow two to three container loads of sandalwood to be exported, that is, around 12 to 14 tonnes."

But he said because 'Eua sandalwood was of top quality potential earnings were high and it could displace the kingdom's biggest export earner, squash.

"That will be the big issue in the future," he said. [passage omitted on history of sandalwood trade]

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